



USANA.

POLICIES & PROCEDURES

POLICIES & PROCEDURES

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SECTION 1 - INTRODUCTION

1.1 POLICIES INCORPORATED INTO ASSOCIATE AGREEMENT

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

1.2 PURPOSE

The purpose of the Associate Agreement is:

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

1.3 CHANGES

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

1.4 DELAYS

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

1.5 POLICIES AND PROVISIONS SEVERABLE

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

1.6 TITLES NOT SUBSTANTIVE

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

1.7 WAIVER

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

1.8 NO RELIANCE

An Associate should seek advice from their professional advisor for matters of legal, financial, or other professional advice and not rely on any such advice if given from USANA.

SECTION 2 - BECOMING AN ASSOCIATE

2.1 REQUIREMENTS TO BECOME A USANA ASSOCIATE:

- Be at least the age of majority in your country of residence;
- Reside in a geographic area where USANA has been approved for business;
- Read the USANA Policies and Procedures and Binary Compensation Plan;
- Submit an original signed Associate Application and Agreement to USANA or digitally sign your online Associate Application and Agreement;
- Provide USANA with a current and correct correspondence address and phone number where you can be reached;
- Purchase a USANA Welcome Kit for a nominal cost (unless prohibited by law); and
- Have a valid U.S. Taxpayer Identification Number (individuals) or Employer Identification Number (businesses and corporations) or Canadian Social Insurance or Business Number. USANA requires a Canadian Social Insurance Number to assist in the prevention of multiple distributorships.
- If USANA determines that the Associate Application and Agreement contains inaccurate or false contact or other information, it may immediately terminate a distributorship or declare the Associate Application and Agreement null and void from its beginning. Further, it is the obligation of the Associate to report to the Company on an ongoing basis any changes which affect the accuracy of the Associate Application and Agreement.
- USANA reserves the right to accept or reject any application for any reason.

2.2 WELCOME KIT

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

2.3 IDENTIFICATION AND ASSOCIATE NUMBER

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

USANA is required by law to file an information return (form 1099-MISC) with the IRS to report income over \$600 that USANA pays to you or to report \$5,000 or more of sales by USANA to you of consumer products for resale to

end consumers. If you are a resident of the United States (including a resident alien), you must provide USANA with your correct taxpayer identification number, which, for individuals, is either your Social Security Number or, if you are a resident alien and you do not have and are not eligible to get an SSN, your Individual Taxpayer Identification Number. For a distributorship that is a partnership, corporation, company, or association organized in the United States or under the laws of the United States, you must provide USANA with your Employer Identification Number.

2.4 TEMPORARY ENROLLMENT

After signing the Associate Application and Agreement, an Associate applicant may enroll by telephone or over the Internet to receive a temporary Associate Number and temporary authorization for a new distributorship while the written application is en route to USANA. The applicant must provide USANA with all the necessary information to complete the Associate Application and Agreement. The applicant may order a Welcome Kit at that time using a valid credit card or bank draft. The new Associate's temporary Associate Number and authorization will be valid for 21 days, pending USANA's receipt of the Associate's original Application and Agreement or the Associate's digital signature on the online Application and Agreement. USANA reserves the right to remove a 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 Associate Application and Agreement, USANA will assign a permanent Associate Number to the Associate and extend the initial distributorship authorization period to one full year.

2.5 ASSOCIATE BENEFITS

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

- Purchase USANA products and services at the Associate price;
- Participate in the USANA Binary Compensation Plan (receive bonuses and commissions, if eligible);
- Sponsor other individuals as Preferred Customers or Associates into the USANA business and thereby build a team and progress through the USANA Binary Compensation Plan;
- Receive USANA literature and other USANA communications;
- Retail USANA products and services, and profit from these sales;
- Participate in promotional and incentive contests and programs sponsored by USANA for its Associates; and
- Participate in USANA-sponsored support, service, training, motivational, and recognition functions upon payment of appropriate charges, if applicable

An Associate's continuation of a distributorship or acceptance of earnings pursuant to the Binary Compensation Plan or acceptance of any other benefits under the Application and Associate Agreement constitutes acceptance of the Associate Application and Agreement, these Policies and Procedures, and any and all amendments thereto.

2.6 RENEWAL OF DISTRIBUTORSHIP

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

- Automatically renew your subscription to USANA publications;
- Renew your Associate Agreement (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 Binary Compensation Plan; purchase USANA products; enjoy USANA service support programs; participate in company promotions, contests, and recognition; retail USANA products and services; and attend Company events.

SECTION 3 - OPERATING A USANA DISTRIBUTORSHIP

3.1 ACTIONS OF HOUSEHOLD MEMBERS OR AFFILIATED INDIVIDUALS

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

3.2 ADHERENCE TO THE USANA BINARY COMPENSATION PLAN

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

3.3 ADVERTISING

3.3.1 In General

Associates must avoid all discourteous, deceptive, misleading, illegal, unethical, or immoral conduct or practices in their marketing and promotion of USANA, the USANA opportunity, the Binary Compensation Plan, and USANA's products. Only those Associates who have achieved the rank of Gold Director or higher may produce individual sales, marketing, and support materials to market or promote USANA, the USANA opportunity, the Binary Compensation Plan, USANA's products, or their USANA businesses. All other Associates may only use sales aids and support materials produced or currently approved by USANA. Sales, marketing, and support materials include, but are not limited to, training and recruiting information, brochures, flyers, pamphlets, posters, postcards, letters, classified advertisements, etc. promoting USANA's products and programs, as well as e-mail messages, voice mail message recordings, social media sites, and Internet websites used to publicize USANA, its products, services, or Binary Compensation Plan.

Any Associate who has achieved the rank of Gold Director or above who desires to create his/her own sales tools, promotional materials, advertisements, or other literature (promotional material) 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 materials that USANA has expressly approved. Such materials may not be offered for sale at a profit to the Associate. It is the Associate's 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 Associates waive all claims for damages or remuneration arising from or relating to such rescission.

3.3.2 Television and Radio

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

3.3.3 Media Inquiries

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

3.3.4 Trademarks and Copyrights

- Associates 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 Associate" logo to promote their business, including in business listings. A reproducible copy of the logo can be obtained from USANA.

- Associates should not answer the telephone in any manner that might indicate or suggest that the caller has reached a USANA corporate office.
- Associates may not directly or indirectly record or reproduce materials from any USANA corporate function, event, speech, etc.
- Associates may not directly or indirectly record, reproduce, or copy any presentation or speech by any USANA spokesperson, representative, speaker, officer, director, or other Associates.
- Associates may not directly or indirectly reproduce or copy any recording of a USANA-produced media presentation, including audio tapes, videotapes, CDs, etc.
- Associates 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.
- Associates 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.
- Associates 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 e-mail address.

3.3.5 Use of Associate Name, Likeness, and Image

Associate 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, products, or any USANA-related or sponsored events.

3.3.6 Advertised Price

Associates may not create their own marketing or advertising material offering any USANA products at a price less than the current Auto Order price plus shipping and applicable taxes.

3.3.7 Social Media

Associates may use social networking sites (Facebook, Twitter, Instagram, etc.), to:

1. Communicate involvement with USANA and other information about the company,
2. Direct users to approved USANA web content, including an Associate's personal USANA webpage (PWP),
3. Post approved USANA education tools and other approved content,
4. Participate in the following business-building activities: promote upcoming meetings or events, advertise products by linking to your USANA shopping cart or any other USANA approved material, and encourage viewers to contact them for more information about the products or business.

It is essential when promoting USANA on social media that USANA Associates abide by all policies relating to business and product claims. Please refer to sections 3.4.1, and 3.4.2, and 5.1 for a reminder of these policies.

Associates must avoid posting anything profane, vulgar, libelous, threatening, etc. as determined by USANA, and they should adhere to the terms and conditions of the social sites on which they post. Associates are also prohibited from using USANA or trademarked names in the name of their Facebook page, Twitter handle, etc. USANA reserves the right to require an Associate to remove any post that it deems inappropriate.

For full details of USANA's advertising policy, including the policies that apply to websites, blogs, etc., please see section 3.3.1.

3.4 ASSOCIATE CLAIMS AND REPRESENTATIONS

3.4.1 Product Claims

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

3.4.2 Income Claims

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

3.4.3 Indemnification

An Associate is fully responsible for all of his or her verbal and/or written statements made regarding the products, services, and the Binary Compensation Plan that are not expressly contained in official Company materials, and the Associate agrees to indemnify USANA against any claims, damages, or other expenses, including attorneys' fees, arising from any representations or actions made by the Associate that are outside the scope of the Agreement. The provisions of this section survive the termination of the Agreement.

3.5 COMMERCIAL OUTLETS

Associates 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 an Associate provides product to a third party who then offers the product for resale in any unapproved retail-oriented establishment.

3.6 UNAUTHORIZED RECRUITING

USANA Associates may participate in other direct selling or network marketing or multi-level marketing ventures (collectively, "multi-level marketing"), and Associates may engage in selling activities related to non-USANA products and services, if they desire to do so. However, Associates are prohibited from unauthorized recruiting activities, which include the following:

- Recruiting or enrolling USANA customers or Associates for other multi-level 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 multi-level marketing business ventures to any USANA Preferred Customer or Associate, or implicitly or explicitly encouraging any USANA Preferred Customer or Associate to join other business ventures. It is a violation of this policy to recruit or enroll a USANA Preferred Customer or Associate for another multi-level marketing business, even if the Associate does not know that the prospect is also a USANA Preferred Customer or Associate;
- Producing any literature, tapes, or promotional material of any nature for another multi-level marketing business, or appearing in, being referenced in, or allowing the Associate'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 Preferred Customers or Associates. Any product or services in the same generic category as a USANA product or service is deemed to be competing, (i.e., any dietary supplement is in the same generic category as USANA's dietary supplements and is, therefore, a competing product, regardless of differences in cost, quality, ingredients, or nutrient content);
- Offering USANA products or promoting the USANA Binary Compensation Plan in conjunction with any non-USANA business plan, opportunity, product, or incentive;
- Offering any non-USANA products or opportunities in conjunction with the offering of USANA products or business plan or at any USANA meeting, seminar, launch, convention, or other USANA function;
- Where a prospective Associate or Preferred Customer accompanies an Associate to a USANA meeting or function, no other USANA Associate may recruit the prospect to enroll in USANA or any other multi-level marketing business for a period of fourteen (14) days or unless and until the Associate who brought the prospect to the function advises the other USANA Associate that the prospect has elected not to enroll in USANA and that the Associate is no longer recruiting the prospect to enroll in USANA, whichever occurs first. USANA will immediately cancel the distributorship of any Associate who violates this provision. Violations of this policy are especially detrimental to the growth and sales of other Associates' USANA businesses and to USANA's business.

Where an Associate directly or indirectly participates in the receipt of compensation from, or having an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in any other multi-level marketing venture, they may not participate in USANA's Leadership or Elite Bonus programs. An Associate who

accepts Leadership Bonus or Elite Bonus while participating in another multi-level marketing venture is in material breach of this Agreement regardless of the Associate's intent or purpose of such participation.

An Associate who participates in any way in another multi-level marketing venture is not eligible to have access to confidential customer information, including but not limited to the customer lists included in the Business Accelerator Suite (BAS).

3.6.1 Post Cancellation Solicitation Prohibited

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

3.6.2 Genealogy Reports

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

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

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

3.7 CORPORATION, PARTNERSHIPS, AND TRUSTS

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

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

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

3.8 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 Associate. These purposes may include:

- Processing your Associate Application;
- Processing, fulfilling, and notifying you of your product order status;
- Developing Genealogy Reports or other related business reports;
- Providing Associate services such as planning and facilitating Associate meetings and training;
- Administering Associate benefits;
- Developing and implementing policies, marketing plans, and strategies;
- Publishing personal information in USANA newsletters, promotional materials, and company 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 Associate benefits;

- Sponsors and upline business leaders who may need access to downline Associate personal information in order to monitor sales activity and business development in their personal sales groups. However, USANA does not share credit card information or Social Security or Social Insurance Numbers with any third party without your permission or unless required by law or valid court order;
- Persons or organizations seeking references.

3.8.3 Associate Access to Personal Information

You have the right to request and obtain from USANA the personal information USANA has on file about you and correct any data that is 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 INDEPENDENT CONTRACTOR STATUS

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

3.10 INSURANCE

3.10.1 Business Pursuits Coverage

You may obtain insurance coverage for your business activities.

3.10.2 Product Liability Coverage

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

3.10.3 Assumption of Risk

An Associate understands that while traveling to or from Company-related meetings, events, activities, workshops, retreats, or gatherings, he/she does so as a part of his/her own independent business and not in any manner as an

employee, agent, or functionary of the Company, notwithstanding the fact that his/her attendance may be based in whole or in part by invitation from, or agreement with, the Company to attend. He/she assumes all risk and responsibility for such travel.

3.11 INTERNATIONAL

Associates may sell and promote USANA's products, opportunity, and services or recruit or enroll any potential Associate or customer only in countries in which USANA is approved for business, as announced in official USANA communications. If an Associate desires to conduct business in an authorized country other than the one in which he/she is an Associate, he/she must comply with all the applicable laws and regulations for that country, including, but not limited to, selling only those products that are specifically designed, formulated, and approved for that particular market. For example, U.S. labeled product may only be sold in the U.S.; Mexico labeled product may only be sold in México.

3.12 ADHERENCE TO LAWS AND ORDINANCES

You must obey all laws that apply to your business.

3.13 ONE DISTRIBUTORSHIP

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

3.14 REPACKAGING AND RELABELING PROHIBITED

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

3.15 SALE, TRANSFER, OR ASSIGNMENT OF DISTRIBUTORSHIP

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

- Be an Associate in good standing as determined by USANA in its sole discretion.
- Before any transfer will be approved by USANA, any debt obligations the selling Associate has with USANA must be satisfied.

- The transferring Associate must be in good standing and not in violation of any of the terms of the Associate Agreement or these Policies and Procedures, to transfer his/her distributorship.
- The combining of distributorships is not permitted.
- USANA will not approve the transfer of a distributorship to any individual or Entity that is a current Associate or who has an ownership interest in any distributorship. Similarly, USANA will not approve the transfer of a distributorship to any individual or Entity that has previously had any ownership interest in, or operated, a USANA distributorship.
- No individual Business Centers may be transferred separately from the distributorship. If an Associate wishes to transfer his/her distributorship, all Business Centers must be included in the transfer.
- The transferring Associate must notify the USANA Compliance Department of his/her intent to transfer the distributorship by completing and submitting a signed Transfer of Distributorship and Associate Application Form. No changes in line of sponsorship can result from the transfer of a distributorship.

3.16 SEPARATION OF A DISTRIBUTORSHIP

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

- If a jointly owned distributorship is dissolved, 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.
- USANA cannot divide a team, 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 a new Associate only after waiting six months. This policy does not include the dissolution of a distributorship where the parties are married. In the case of divorce with a jointly held distributorship, the party relinquishing his/her rights to the distributorship may immediately enroll under any Sponsor of his/her choice.

3.17 SUCCESSION

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

3.18 TAXES

3.18.1 Income Taxes (United States)

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

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

3.18.2 Taxes (Sales Tax in United States; GST & PST in Canada)

USANA will collect and remit sales taxes on behalf of Associates at the suggested retail price according to applicable tax rates to which the shipment is destined. (Preferred Customers, however, may not resell USANA merchandise or participate in the Binary Compensation Plan.) In the event an Associate has submitted, and USANA has accepted a Sales Tax Exemption Certificate Agreement (Change to Associate Account Form) with a photocopy of the Associate's valid state resale exemption certificate, sales taxes will not be added to the invoice; the responsibility of collecting and remitting sales taxes to the appropriate authorities will be upon the Associate (not applicable in Canada, in the states of California, Massachusetts, Mississippi, Texas, or elsewhere prohibited by law). Exemption from the payment of sales tax is applicable only to orders that are shipped to a jurisdiction for which the proper tax exemption papers have been filed and accepted. Sales taxes will be charged on orders that are drop-shipped to another jurisdiction, based on the sales tax laws of the destination. Any sales tax exemption accepted by USANA is not retroactive. Native Americans in the U.S. and Canada may submit evidence of Native American status and any shipments made to the reservation will be tax exempt.

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

3.19 TELEPHONE AND E-MAIL SOLICITATION

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

USANA does not send “spam” (unsolicited commercial electronic communications in the form of e-mail, text, SMS/instant message) to our distributors or customers, and we prohibit our distributors from using spam to market and sell our products or recruit other distributors. As such, we require our distributors to comply with the following rules when using electronic communications to market and promote the USANA opportunity and our products:

- You may send commercial electronic communications ONLY to (a) recipients with whom you have an existing business, family, or personal relationship; or (b) business referrals, but only if you have a business, family, or personal relationship with the person making the referral and the person making the referral has a business, family, or personal relationship with the person being referred to you.
- Any commercial electronic communication you send must include: (a) a clear and accurate subject header, (b) accurate sender contact details (name, mailing address, phone number, and e-mail address), (c) in the case of a referral, the name of the person who provided you with the referral, and (d) a functional “opt-out” or unsubscribe feature.

3.20 TERRITORIES

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

3.21 TRADE SHOWS AND EXPOSITIONS

Associates may display and/or sell USANA products at trade shows and expositions, but they 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 Associates.

3.22 TRANSFER OF SPONSORSHIP

3.22.1 Conflicting Enrollments

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

3.22.2 Placement Changes

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

- Where an Associate has been fraudulently or unethically induced into joining USANA;
- Where an incorrect placement was made due to an Associate error, a change in the line of sponsorship

can be made to correct the error where a request for a change is made within 10 days of enrollment. If you make such a request, you must also submit the written consent of your Sponsor along with the required placement change fee. If at the time of the request you have any team members in place, no change will be permitted in the line of sponsorship. In the event that such a change is approved, commissions and bonuses earned will be adjusted accordingly. In no case will a change of placement be approved where a signed application has not been received by USANA;

- If you terminate your distributorship in writing, you may rejoin under the Sponsor of your choice after a period of six (6) months. Following termination of your distributorship, you may participate as a Preferred Customer during the six-month period. In the event you terminate your distributorship, you forfeit all rights, bonuses, and commissions under your previous line of sponsoring. You may not avoid compliance with this policy through the use of DBAs, assumed names, corporations, partnerships, trusts, spouse names, Social Insurance Numbers, Social Security Numbers, Employer Identification Numbers, fictitious ID numbers, etc. You also may not avoid compliance with this policy by allowing a former Associate to participate in any way in your distributorship; or
- If you have been “inactive” (i.e., no purchases or sales of USANA products or participation in any other form as an Associate) for a period of 12 successive months, you may terminate your distributorship in writing and rejoin immediately under the Sponsor of your choice.

3.22.3 Crossline Raiding

Crossline raiding is strictly prohibited. “Crossline raiding” is defined as the enrollment or attempted enrollment of an individual or Entity that already has a current Preferred Customer or Associate Agreement on file with USANA, or who has had such an agreement within the preceding six (6) calendar months within a different line of sponsorship. The use of trade names, DBAs, corporations, partnerships, trusts, spouse names, Social Insurance Numbers, Social Security Numbers, Employer Identification Numbers, or fictitious ID numbers to circumvent this policy is prohibited. Associates may not demean, discredit, or invalidate other USANA Associates in an attempt to entice another Associate to become part of the first Associate’s team.

3.23 DECEPTIVE PRACTICES AND DETRIMENTAL CONDUCT

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

- Being honest and thorough in presenting material from the USANA Binary Compensation Plan to all potential Associates;
- Making clear that income from the USANA Binary Compensation Plan is based on product sales and not merely on sponsoring other Associates;
- Making estimates of profit that are based on reasonable predictions for what an average Associate would achieve in normal circumstances;

- Representing that past earnings in a given set of circumstances do not necessarily reflect future earnings;
- Not misrepresenting the amount of expenditure that an average Associate might incur in carrying on the business;
- Not misrepresenting the amount of time an average Associate would have to devote to the business to achieve the profit estimated, and not stating that profits or earnings are guaranteed for any individual Associate;
- Never stating or inferring that you will build a team for anyone else;
- Never stating that profits or earnings are guaranteed for an individual Associate;
- Never stating that any consumer, business, or government agency has approved or endorsed the USANA products or its Binary 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 Associate 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 team, and any other actions that may violate state, federal, or foreign anti-pyramid scheme laws. Such manipulations may, in the discretion of USANA, result in the suspension of commissions and termination of the distributorship.

If any conduct by an Associate is determined by USANA to be injurious, disruptive, or harmful to USANA or to other Associates, USANA may take appropriate action against the Associate as set forth in Section 8.3.

SECTION 4 – RESPONSIBILITIES OF ASSOCIATES AND SPONSORS

4.1 ONGOING SUPERVISION, TRAINING, AND SALES

Any Associate who sponsors another Associate into USANA must train the new Associate in product knowledge, effective sales techniques, the Binary Compensation Plan, and the Policies and Procedures. Associates must also supervise and monitor Associates in their team to ensure they conduct business professionally and ethically, promote sales properly, and provide quality customer service. As an Associate progresses through the various levels of leadership, his/her responsibilities to train and motivate team members will increase. When sponsoring or enrolling a new Associate, it is the responsibility of the sponsoring Associate 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 Binary Compensation Plan prior to his/her execution of the Associate Agreement.

4.2 NON-DISPARAGEMENT

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

4.3 HOLDING APPLICATIONS OR ORDERS

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

4.4 REPORTING POLICY VIOLATIONS

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

SECTION 5 – SALES REQUIREMENTS

5.1 PRODUCT SALES

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

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

5.2 RETAIL CUSTOMER SALES

Associates may sell USANA products at any price they choose. However, due to varying state and provincial laws, sales tax must be charged to Associates based on suggested retail price.

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

5.3 EXCESSIVE PURCHASES OF INVENTORY PROHIBITED

USANA strictly prohibits the purchase of products in unreasonable amounts solely for the purpose of qualifying for commissions, bonuses, or advancement in the Binary Compensation Plan. Associates may not purchase more than they can reasonably resell or consume in any four-week rolling period, nor encourage others to do so.

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

5.4 DEPOSITS

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

SECTION 6 – BONUSES AND COMMISSIONS

6.1 BONUS AND COMMISSION CYCLES

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

6.2 ADJUSTMENT OF BONUSES AND COMMISSIONS

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

6.3 LOSS OF RIGHTS TO COMMISSIONS

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

6.4 UNCLAIMED COMMISSIONS AND CREDITS

Commission and bonus checks that are not deposited or cashed within one year of the date they are paid to an Associate will be considered unclaimed property. USANA will provide the Associate, who is the owner of unclaimed property, with a written notice of the unclaimed status of the property and instructions on how to claim the property. Associates who wish to claim their unclaimed funds must complete, sign, and return the notice within the time frame specified in the letter by mail or fax to USANA. Upon receipt, USANA will process the funds request within 8-12 weeks. Checks that remain unclaimed after USANA has completed the notification process will be turned over to the Associate's state or territory of last known residence in accordance with that state's escheatment laws. Once

USANA has turned over the unclaimed property to a state, an Associate, who still wants to claim the property, must file a claim directly with the relevant state or territory.

Credits are positive balances on a customer's account. A customer or Associate with a credit will be notified by USANA in writing with instructions to follow the same unclaimed property procedure stated above. Funds that remain unclaimed will be turned over to the relevant state or territory of the customer or Associate's last known address.

Customers or Associates who have not received an unclaimed property notice from USANA; however, have a check that needs to be reissued will be assessed a \$15.00 service charge per check.

6.5 STOPPED PAYMENTS, VOIDED CHECKS, AND RE-ISSUED PAYMENTS

USANA will charge a fee for any stop payment request. USANA further reserves the right to charge a reasonable fee to reissue payment of a voided check.

SECTION 7 – PRODUCT GUARANTEES, RETURNS, AND INVENTORY REPURCHASE

7.1 PRODUCT EXCHANGE

USANA warrants the quality of its products and shall exchange any defective product. Anyone returning a damaged or defective product must complete the Associate Product Exchange or Return form.

Product exchanges made for the purpose of favorable gain through maximizing commissions or manipulating the Binary Compensation Plan (as evidenced through patterns observed outside of the average Associate pattern of exchanges) will not be honored and are considered a material breach of the Associate Agreement.

7.2 THIRTY (30) DAY RETURN POLICY

7.2.1 Retail Customers

USANA obligates its Associates to honor the Company's 100 percent, 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 Associate 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 Associate who sold the product to the retail customer must immediately refund the retail customer's purchase price. (Retail customers must return merchandise to the Associate who sold it to them; USANA will not accept returned merchandise directly from retail customers.) The Associate, in turn, should complete a Dissatisfied Consumer Product Return and forward the form along with the original sales receipt and returned merchandise to USANA. USANA will then replace the returned merchandise with like product and ship it to the Associate. All retail customers must be provided with two copies of an official USANA Retail Sales Receipt at the time of the sale. The back of the receipt provides the customer with written notice of his/her rights to cancel the sales agreement.

7.2.2 Preferred Customers

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

7.2.3 Associates

If an Associate elects to cancel his/her distributorship during the 30-day period immediately following his/her enrollment, USANA will refund 100 percent of the price of the Welcome Kit and all products purchased as part of the Associate's initial order (excluding shipping). The canceling Associate must return the products and the entire Welcome Kit to USANA, shipping prepaid, along with a letter explaining that he/she wishes to terminate his/her distributorship and receive a refund. Please note that this 100 percent refund (less shipping) does not apply once an Associate places his/her second product order. After the first order, refunds for returned products, Welcome Kits, and sales aids are made pursuant to section 7.3. If an Associate returns his/her Welcome Kit and/or merchandise equal to or exceeding \$100.00 US for a refund, the return constitutes a Voluntary Cancellation of his/her Associate Agreement. Moreover, the Company will adjust the appropriate Associate's sales volume pursuant to section 6.2. Moreover, USANA may deduct from the amount of the refund any commissions or bonuses the Associate may have received as a result of the products that he/she is returning.

7.3 ALL OTHER RETURNS

After the initial order, an Associate may return to USANA products, including promotional materials and sales aids, purchased within the past 365 days for a refund of 100 percent 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 \$100 US may result in the termination of the distributorship. Moreover, USANA may deduct from the amount of the refund any commissions or bonuses the Associate may have received as a result of the products that he/she is returning.

7.4 PROCEDURES FOR ALL RETURNS AND REPURCHASES

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

- Obtain a Return Merchandise Authorization Number (RMA#) from the Distributor Services Department. This number must accompany all returned products;
- Return the product with the original confirmation of order to USANA;

- Use proper shipping carton(s) and packaging materials to return the product to USANA. The Associate is responsible for tracking return shipment should that be necessary.

If an Associate 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, a copy of the original sales receipt, and the unused portion in the original container.
- Only the Preferred Customer or Associate who ordered the product from USANA may return it.
- USANA is not liable for items lost in transit.

SECTION 8 - DISPUTE RESOLUTION AND DISCIPLINARY PROCEEDINGS

8.1 DISPUTES BETWEEN ASSOCIATES

8.1.1 Grievances and Complaints

When an Associate has a grievance or complaint with another Associate regarding any practice or conduct in relationship to his/her respective USANA businesses, the complaining Associate should first discuss the problem with the other Associate. If this does not resolve the problem, the complaining Associate should report the problem to his/her 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 firsthand 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 a distributorship on hold during an investigation and, after the investigation is closed, the results of the investigation show that the Associate was not in violation of the Associate Agreement, USANA will promptly pay the Associate 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 MANDATORY ARBITRATION OF MOST DISPUTES BETWEEN USANA AND ASSOCIATES; WAIVER OF CLASS ACTION LITIGATION

All disputes and claims relating to USANA shall be submitted for resolution to binding arbitration in Salt Lake City, Utah, in accordance with the rules of the American Arbitration Association (“AAA”), unless the laws of the state or province in which the Associate resides expressly require otherwise. This provision covers disputes and claims involving USANA affiliates and all of their respective shareholders, officers, directors, employees, Associates, contractors, representatives, and agents, its Binary Compensation Plan, its Products, the rights and obligations of its Associates and USANA, any applicable law, relating to product purchase(s) or performance, either of an Associate or of USANA under the Associate Agreement, or any other dispute, claim, or cause of action.

In agreeing to arbitrate all claims hereunder, Associates hereby recognize and agree to waive the right to a trial in court and/or by a jury. Any arbitration shall take place on an individual basis; class or representative actions shall not be permitted. However, nothing in this Arbitration Provision shall prevent an Associate from bringing an individual action for money damages of \$10,000 or less (but no other relief) in small claims court of appropriate jurisdiction where permitted by law (“Small Claims Court Claims”). Any dispute regarding whether any claim is subject to arbitration or relating to the interpretation or enforceability of this arbitration provision shall be resolved by the AAA.

The arbitration shall be conducted on a strictly confidential basis, and Associates shall not disclose the existence or nature of any claim, defense, or argument; any documents, correspondence, pleadings, briefing, exhibits, arguments, testimony, evidence, or information exchanged or presented in connection with any claim, defense, or argument; or any rulings, decisions, or results of any claim, defense, or argument (collectively, “Arbitration Materials”) to any third party, with the sole exception of the Associate’s legal counsel, who the Associate shall ensure complies with these confidentiality terms.

For claims of \$1,000,000 or less, there shall be one neutral arbitrator who shall be an attorney at law with at least ten years of expertise in transactional law and who is knowledgeable in the direct selling industry, selected from the panel which the AAA provides. For claims greater than \$1,000,000, there shall be a panel of three neutral arbitrators, comprised of at least one former state or federal judge and at least one who is an attorney with at least ten years of expertise in transactional law and who is knowledgeable in the direct selling industry. The selection of arbitrators will be conducted in accordance with AAA rules.

The arbitrator will have no authority to award punitive damages, indirect damages, consequential damages, special damages, or any other damages or civil penalties not measured by the prevailing Party’s actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the provisions of the Policies and Procedures or the Associate Agreement. The standard of proof in any arbitration shall be clear and convincing evidence.

Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including without limitation legal and filing fees. However, if any damages awarded are greater than \$1,000,000 or the arbitrator(s) determines that the claims are frivolous, the arbitrator(s) shall require that the losing party pay the prevailing party’s costs and expenses of arbitration, including legal, expert, and filing fees and costs.

Any arbitration proceeding under this agreement to arbitrate must be commenced no later than one year after the controversy or claim arose. Failure timely to commence an arbitration proceeding constitutes both an absolute bar to the commencement of an arbitration proceeding with respect to the controversy or claim, and a waiver of the controversy or claim. The arbitration shall start no later than three months from the date the arbitrator(s) is appointed.

This agreement to arbitrate shall survive any cancellation or expiration of the Associate Agreement.

The decision of the arbitrator shall be final and binding upon the parties and may, if need be, be reduced to a judgment in any court of competent jurisdiction. However, an appeal will be permitted if any damages awarded are greater than \$2,000,000. In such instances, the AAA rules will govern the appeal.

There shall be no interlocutory appeals to any court, or any motions to vacate any order of the arbitrator that is not a final award dispositive of the arbitration in its entirety, except as required by law. The parties agree to take all steps necessary to protect the confidentiality of the Arbitration Materials in connection with any court proceeding, agree to use their reasonable best efforts to file any court proceeding permitted herein and all documents containing confidential information under seal, and agree to the entry of an appropriate protective order encompassing the confidentiality terms of this Associate Agreement.

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

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

8.2.1. Associates' Opt-Out Right Within 30 Days

Associates who do not want to be subject to this Arbitration Provision may opt out by notifying the Company in writing of their desire to opt out of this Arbitration Provision within 30 days of the Associate's execution of the Associate Agreement. Acceptable forms of notice include sending electronic mail to ArbitrationOptOut@us.usana.com or by sending a letter dated and signed by the Associate to the following address:

USANA Health Sciences, Inc.
3838 West Parkway Boulevard
Salt Lake City, Utah 84120
Attn: General Counsel

Either email or letter must clear state the Associate's name and the intent to opt out of this Arbitration Provision. Associates will not be subject to retaliation in exercising their rights to assert claims or opt-out of the Arbitration Provision.

8.2.2. Jurisdiction, Venue, and Choice of Law

Jurisdiction and venue of any matter not subject to arbitration shall reside in Salt Lake County, State of Utah or in the United States District Court, in and for the District of Utah unless the laws of the state or province in which the Associate resides expressly require otherwise. The parties waive any claim that such jurisdiction is an inconvenient or inappropriate forum. By signing the Associate Application Agreement, all Associates consent to jurisdiction within these two forums. The law of the State of Utah, without consideration of choice of law principles, shall govern disputes involving the Associate Agreement. Small Claims Court Claims shall not be subject to the jurisdiction and venue requirements of this Provision. The law of the State of Utah, without consideration of choice of law principles, shall govern Small Claims Court Claims.

8.3 DISCIPLINARY ACTIONS

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

- A 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 an Associate to take remedial action and will include follow-up monitoring by USANA to ensure compliance with the Agreement;
- Withdrawal or denial of an award or recognition, or restricting participation in USANA-sponsored events for a specified period of time or until the Associate satisfies certain specified conditions;
- Suspension of certain privileges of distributorship, including, but not limited to, placing a product order, participating in USANA programs, progressing in the Binary Compensation Plan, or participating as a Sponsor, for a specified period of time or until the Associate satisfies certain specified conditions;
- Withholding commissions or bonuses for a specified period of time or until the Associate satisfies certain specified conditions;

- Imposing fair and reasonable fines or other penalties in proportion to actual damages incurred by USANA and as permitted by law; and/or Terminating a distributorship.

SECTION 9 - ORDERING

9.1 ORDERING METHODS

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

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

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

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

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

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

When ordering online—log on to the shopping cart at USANA.com. Payments can be made by credit card or through an existing checking account. (This can be set up by submitting an AutoPay/AutoDeposit form along with a voided check.)

9.2 AUTO ORDER PROGRAM

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

9.3 GENERAL ORDER POLICIES

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

9.4 PURCHASING USANA PRODUCTS

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

9.5 BACK ORDER POLICY

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

9.6 SHIPPING DISCREPANCIES

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

SECTION 10 - PAYMENT AND SHIPPING

10.1 METHODS OF PAYMENT

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

10.1.1 Cashier's Check or Money Order

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

10.1.2 Personal Check

Same conditions as cashier's check or money order. However, the check must not be stale or postdated.

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

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

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

10.1.3 Credit Cards

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

10.1.4 Electronic Bank Draft Payment Program

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

10.2 RETURNED CHECKS, INSUFFICIENT FUNDS, AND DECLINED CREDIT

All checks and electronic funds transfers returned unpaid by the bank will incur a \$20.00 US charge, and personal checks will not be accepted thereafter. Future orders must be accompanied by a money order or cashier's check. Any outstanding balance owed to USANA will be deducted from subsequent commission or bonus checks. Failure to resolve any outstanding balance owed to USANA may result in the involuntary cancellation of distributorship.

10.3 AUTO ORDER PROGRAM

Once initiated, the program will remain in effect until a written cancellation is received at the USANA Corporate Office.

Changes or cancellations to an existing Auto Order may be made online (changes only), by phone, or in writing no later than the Friday prior to the order processing date.

Participation in the Auto Order program is purely optional and does not relieve an Associate from compliance with the retail sales requirement or from compliance with the 70 percent resale rule.

10.4 DELIVERY AND RISK OF LOSS

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

SECTION 11 - ASSOCIATE SERVICES

11.1 CHANGES TO THE DISTRIBUTORSHIP

11.1.1 In General

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

11.1.2 Addition of Co-Applicants

When adding a co-applicant to an existing distributorship, USANA requires both a written request and a properly completed Associate Application and Agreement containing the applicant's and co-applicant's Tax Identification Numbers and signatures. The modifications permitted within the scope of this paragraph do not include a change of sponsorship. Only individuals who have previously never operated or had ownership interest in a USANA distributorship are eligible to be added to an existing distributorship as co-applicant.

11.2 GENEALOGY REPORTS AND COMMISSION STATEMENTS

11.2.1 Genealogy Reports

Genealogy Reports are optional and may be ordered by subscribing to Business Accelerator Suite (BAS). 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 printed for all active Associates receiving a commission check and are mailed with the commission checks. Commission statements are not optional.

11.3 ERRORS OR QUESTIONS

In the event an Associate has questions about or believes that any errors have been made regarding commissions, bonuses, Genealogy Reports, orders, charges, or placement information, the Associate must notify USANA within 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 30 days.

11.4 RESOLVING PROBLEMS

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

SECTION 12 – INACTIVITY AND CANCELLATION POLICIES

12.1 INACTIVITY

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

12.2 INVOLUNTARY CANCELLATION

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

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

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

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

12.3 WRITTEN CANCELLATION

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

12.4 EFFECT OF CANCELLATION

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

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

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

SECTION 13 – DEFINITIONS

DEFINITION OF TERMS

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

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

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

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

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

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

Commissionable Products—All USANA products on which commissions and bonuses are paid. Welcome Kits and sales aids are not commissionable products.

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

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

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

Example: If an Associate places his/her order on Friday, September 13, 2013, the four-week rolling pay period expires three Fridays later (Friday, October 4, 2013). To remain active, an Associate must place his/her next product order no later than Friday, October 1, 2013.

Example: If an Associate places his/her order on Friday, September 8, 2017, the four-week rolling pay period expires three Fridays later (Friday, September 29, 2017). To remain active, an Associate must place his/her next product order no later than Friday, October 6, 2017.

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

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

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

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

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

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

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

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

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

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

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

Side—The individuals enrolled under one side of a Business Center and their respective teams represent one “side” in your team.

Team—An Associate’s team consists of all Preferred Customers and Associates below him/her.

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

To qualify for 3 Business Centers—You must generate 400 points in sales volume within six Fridays. Start counting from the Friday of the week your application was received.

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

Welcome Kit—A selection of USANA training materials and business support literature that each new Associate purchases. The Welcome Kit is sold to Associates at USANA’s cost.



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