

Policies & Procedures

TABLE OF CONTENTS

SECTION 1

Introduction	2
1.1 Policies Incorporated into Distributor Agreement	2
1.2 Purpose	2
1.3 Changes	2
1.4 Delays	2
1.5 Policies and Provisions Severable	2
1.6 Titles Not Substantive	2
1.7 Waiver	2

SECTION 2

Becoming a Distributor	2
2.1 To Become a USANA Distributor	2
2.2 Starter Kit	3
2.3 Identification and Distributor Number	3
2.4 Telephone and Internet Enrollment	3
2.5 Distributorship Benefit	3
2.6 Renewal of Distributorship	4

SECTION 3

Operating a USANA Distributorship	4
3.1 Actions of Household Members or Affiliated Individuals	4
3.2 Adherences to the USANA Compensation Plan	4
3.3 Advertising	4
3.3.1 In General	4
3.3.2 Television and Radio	5
3.3.3 Media Enquiries	5
3.3.4 Trademarks and Copyrights	5
3.4 Distributor Claims and Representations	6
3.4.1 Product Claims	6
3.4.2 Income Claims	6
3.5 Commercial Outlets	6
3.6 Authorised Recruiting	6
3.6.1 Post-Termination Solicitation	7
3.6.2 Downline Genealogy Reports	7
3.7 Corporation, Partnership, and Trust	8
3.8 Deceptive Practices	8
3.9 Independent Contractor Status	8
3.10 Insurance	9
3.10.1 Business Pursuits Coverage	9
3.10.2 Product Liability Insurance	9
3.11 International	9
3.12 Adherence to Laws and Ordinances	9
3.13 One Distributorship	9
3.14 Repackaging and Relabelling Prohibited	9

3.15 Sale, Transfer, or Assignment of Distributorship	9
3.16 Separation of Distributorship	10
3.17 Succession	10
3.18 Taxes	10
3.18.1 Income Taxes	10
3.19 Telephone and Email Solicitations	10
3.20 Territories	11
3.21 Trade Shows and Expositions	11
3.22 Transferring of Sponsorship	11
3.22.1 Conflicting Enrolments	11
3.22.2 Cross Line Raiding	11

SECTION 4

Responsibilities of Distributors and Sponsors	12
4.1 Ongoing Supervision, Training and Sales	12
4.2 Non-Disparagement	12
4.3 Holding Applications or Orders	12
4.4 Reporting Policy Violations	12

SECTION 5

Sales Requirements	12
5.1 Product Sales	12
5.2 Retail Customer Sales	13
5.3 Excessive Purchases of Inventory Prohibited	13
5.4 Deposits	13

SECTION 6

Bonuses and Commissions	13
6.1 Bonuses and Commissions Cycles	13
6.2 Adjustment of Bonuses and Commissions	13
6.3 Loss of Rights to Commissions	13
6.4 Unclaimed Commissions and Credits	14

SECTION 7

Product Guarantees, Returns, and Inventory Repurchases	14
7.1 Product Exchange Guarantee	14
7.2 Thirty (30) Days Return Policy	14
7.2.1 Retail Customers	14
7.2.2 Preferred Customers	14
7.2.3 Distributors	14
7.3 All Other Returns	15
7.3.3 Procedure for All Return and Repurchases	15

SECTION 8

Dispute Resolution and Violation of Agreement	15
8.1 Disputes Between Distributors	15
8.1.1 Grievances and Complaints	15
8.1.2 Legal Services Department Review	15
8.2 Disputes Between USANA and Distributors	16
8.2.1 Arbitration	16
8.2.2 Jurisdiction, Venue and Choice of Law	16
8.3 Disciplinary Action	16

SECTION 9

Ordering	17
9.1 Ordering Method	17
9.2 Autship Programme	17
9.3 General Order Policies	17
9.4 Purchasing USANA Products	17
9.5 Back Order Policy	18
9.6 Shipping Discrepancies	18

SECTION 10

Payment and Shipping	18
10.1 Methods of Payment	18
10.1.1 Credit Cards	18
10.1.2 Electronic Bank Draft Payment Programme	18
10.2 Insufficient Funds and Declined or Disputed Credit	18
10.3 Autship Programme	18

SECTION 11

Distributor Services	18
11.1 Changes to Your Distributorship	18
11.1.1 In General	18
11.1.2 Addition of Co-Applicant	18
11.2 Downline Genealogy Reports & Commission Statements	19
11.2.1 Downline Genealogy Reports	19
11.2.2 Commission Statements	19
11.3 Errors or Questions	19
11.4 Resolving Problems	19

SECTION 12

Inactivity and Termination Policies	19
12.1 Inactivity	19
12.2 Involuntary Cancellation	19
12.3 Written Cancellation	20
12.4 Effect of Termination	20

SECTION 13

Definitions	20-21
-------------------	-------

Policies & Procedures

SECTION 1—INTRODUCTION

1.1 POLICIES INCORPORATED INTO DISTRIBUTOR AGREEMENT

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

1.2 PURPOSE

The purpose of the Distributor Agreement is:

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

1.3 CHANGES

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

1.4 DELAYS

USANA shall not be responsible for delays and failures in performing its obligations due to circumstances beyond its reasonable control,

such as strikes, labor difficulties, riots, war, fire, death, curtailment or interruption of a source of supply, government decrees or orders, etc.

1.5 POLICIES AND PROVISIONS SEVERABLE

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

1.6 TITLES NOT SUBSTANTIVE

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

1.7 WAIVER

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

SECTION 2—BECOMING A DISTRIBUTOR

2.1 TO BECOME A USANA DISTRIBUTOR

- 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 USANA Compensation Plan;
- Submit an original signed Distributor Application and Agreement to USANA; and
- Purchase a USANA Starter Kit for a nominal cost (unless prohibited by law).
- Have a valid IC number.
- USANA reserves the right to accept or reject any application for any reason.

2.2 STARTER KIT

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

2.3 IDENTIFICATION AND DISTRIBUTOR NUMBER

USANA requires Distributors to provide their IC number on the Distributor Application and Agreement.

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

2.4 TELEPHONE AND INTERNET ENROLLMENT

After signing the Distributor Application and Agreement, a Distributor applicant may enroll by telephone or over the Internet to receive a temporary Distributor Number and temporary

authorisation for a new Distributorship while the written application is en route to USANA. The applicant must provide USANA with all the necessary information to complete the Distributor Application and Agreement. The applicant may order a Starter Kit at that time using a valid credit card or bank draft.

The new Distributor's temporary Distributor Number and authorisation 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 Distributor Number to the Distributor and extend the initial Distributorship authorisation period to one full year.

2.5 DISTRIBUTOR BENEFITS

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

- Purchase USANA products and services at the Distributor price;
- Participate in the USANA Compensation Plan (receive bonuses and commissions, if eligible);
- Sponsor other individuals as Preferred Customers or Distributors into the USANA business and thereby build a Downline Organisation and progress through the USANA Compensation Plan;
- Receive USANA literature and other USANA communications;
- Participate in USANA-sponsored support, service, training, motivational, and recognition functions upon payment of appropriate charges, if applicable;

- Participate in promotional and incentive contests and programmes sponsored by USANA for its Distributors.
- Retail USANA products or services and profit from these sales.

2.6 RENEWAL OF DISTRIBUTORSHIP

USANA charges Distributors an annual Distributorship renewal fee of RM75.00. USANA will automatically charge the fee to the Distributor's credit card or bank account on file with USANA on the anniversary date of the Distributor's application. Distributors 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 Distributor Agreement and maintain your line of sponsorship; and
- Continue your entitlement to participate in USANA's Compensation Plan; purchase USANA products; enjoy USANA service support programmes; participate in company promotions, contests, and recognition; and attend Company events.

SECTION 3—OPERATING A USANA DISTRIBUTORSHIP

3.1 ACTIONS OF HOUSEHOLD MEMBERS OR AFFILIATED INDIVIDUALS

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

3.2 ADHERENCE TO THE USANA COMPENSATION PLAN

Distributors must adhere to the terms of the USANA Compensation Plan as set forth in official USANA literature. Distributors shall not offer the USANA opportunity through, or in combination with, any other opportunity or unapproved method of marketing. Distributors shall not require or encourage other current or prospective Preferred Customers or Distributors to participate in USANA in any manner that varies from the programme as set forth in official USANA literature.

Distributors shall 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, Distributors shall not require or encourage other current or prospective Preferred Customers or Distributors to make any purchase from, or payment to, any individual or other entity to participate in the USANA Compensation Plan, other than those purchases or payments identified as recommended or required in official USANA literature.

3.3 ADVERTISING

3.3.1 IN GENERAL

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

Only those Distributors who have achieved the rank of Gold Director or higher may produce individual sales, marketing, and support materials to market or promote USANA, the USANA opportunity, the USANA Compensation Plan, USANA's products, or their USANA businesses. All other

Distributors may only use sales aids and support materials produced or currently approved by USANA. Sales, marketing, and support materials include, but are not limited to, training and recruiting information, brochures, flyers, pamphlets, posters, postcards, letters, classified advertisements, etc. promoting USANA's products and programmes, as well as e-mail messages, voice mail message recordings, and Internet websites used to publicise USANA, its products, services, or USANA Compensation Plan.

Any Distributor who has achieved the rank of Gold Director or above who desires to create his/her own promotional and marketing materials must submit a copy of the proposed materials to USANA for review and approval before he/she may use the information to promote his/her business or the USANA opportunity. Upon receipt of the proposed promotional material, USANA will review the information to determine the appropriateness of the material's form and content. USANA 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. The advertising legal review process may be subject to fees.

3.3.2 TELEVISION AND RADIO

Distributors may advertise on television and radio subject to USANA's express written approval.

3.3.3 MEDIA ENQUIRIES

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

3.3.4 TRADEMARKS AND COPYRIGHTS

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

3.4 DISTRIBUTOR CLAIMS AND REPRESENTATIONS

3.4.1 PRODUCT CLAIMS

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

3.4.2 INCOME CLAIMS

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

3.5 COMMERCIAL OUTLETS

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

3.6 AUTHORISED RECRUITING

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

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

category as USANA's dietary supplements and is, therefore, a competing product, regardless of differences in cost, quality, ingredients, or nutrient content;

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

3.6.1 POST CANCELLATION SOLICITATION PROHIBITED

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

3.6.2 DOWNLINE GENEALOGY REPORTS

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

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

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

3.7 CORPORATION, PARTNERSHIPS, AND TRUSTS

A corporation, partnership, or trust (collectively referred to in this section as an “Entity”) may apply to be a USANA Distributor by submitting 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 Distributor(s) must provide the Entity Documents and submit a properly completed Distributor Application and Agreement and Corporation, or Partnership DBA Registration Form to USANA. The Corporation, or Partnership 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 Distributor Application and Agreement submitted by an Entity, as well as any Distributor Application and Agreement submitted by any current Distributor(s) for the formation of an Entity for tax, estate planning, and limited liability purposes.

3.8 DECEPTIVE PRACTICES

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

- Being honest and thorough in presenting material from the USANA Compensation Plan to all potential Distributors;
- Making clear that income from the USANA Compensation Plan is based on product sales and not merely on sponsoring other Distributors;
- Making estimates of profit that are based on reasonable predictions for what an average Distributor would achieve in normal circumstances;
- Representing that past earnings in a given set of circumstances do not necessarily reflect future earnings;
- Not misrepresenting the amount of expenditure that an average Distributor might incur in carrying on the business;
- Not misrepresenting the amount of time an average Distributor would have to devote to the business to achieve the profit estimated, and not stating that profits or earnings are guaranteed for any individual Distributor;
- Never stating or inferring that you will build a Downline Organisation 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 USANA Compensation Plan.

3.9 INDEPENDENT CONTRACTOR STATUS

Distributors are independent contractors and are not purchasers of a franchise or business opportunity. The agreement between USANA and its Distributors does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Distributor. All Distributors

are responsible for paying their own income taxes. Each Distributor is encouraged to establish his/her own goals, hours, and methods of sale, so long as he/she complies with applicable laws and the terms and conditions of the Distributor Agreement.

3.10 INSURANCE

3.10.1 BUSINESS PURSUITS COVERAGE

You may obtain insurance coverage for your business activities.

3.10.2 PRODUCT LIABILITY INSURANCE

USANA maintains insurance to protect the Company and Distributors against product liability claims. USANA's insurance policy contains a "Vendors Endorsement" which extends coverage to Independent Distributors so long as they are marketing USANA products in accordance with applicable laws and regulations and the Distributor Agreement. USANA's product liability policy does not extend coverage to claims that arise as a result of a Distributor's misconduct in marketing the products (see also Section 3. 4).

3.11 INTERNATIONAL

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

3.12 ADHERENCE TO LAWS AND ORDINANCES

You must obey all laws that apply to your business.

3.13 ONE DISTRIBUTORSHIP

A Distributor may operate, receive compensation from, or have an ownership interest, legal or equitable, as a sole proprietorship, partner, shareholder, trustee, or beneficiary, in only one USANA Distributorship. Your spouse and dependent children may not own or operate separate distributorships.

3.14 REPACKAGING AND RELABELLING PROHIBITED

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

3.15 SALE, TRANSFER, OR ASSIGNMENT OF DISTRIBUTORSHIP

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

- Be a Distributor in good standing as determined by USANA in its sole discretion.
- Before any transfer will be approved by USANA, any debt obligations the selling Distributor has with USANA must be satisfied.
- The transferring Distributor must be in good standing and not in violation of any of the terms of the Distributor Agreement or these Policies and Procedures, to transfer his/her Distributorship.

- The combining of Distributorships is not permitted. USANA will not approve the transfer of a Distributorship to any individual or Entity that is a current Distributor or who has an ownership interest in any Distributorship. Similarly, USANA will not approve the transfer of a Distributorship to any individual or Entity that has previously had any ownership interest in, or operated, a USANA Distributorship.
- No individual Business Centres may be transferred separately from the Distributorship. If a Distributor wishes to transfer his/her Distributorship, all Business Centres must be included in the transfer.
- The transferring Distributor must notify the USANA Legal Services Department of his/her intent to transfer the Distributorship by completing and submitting a signed Transfer of Distributorship and Distributor Application form. No changes in line of sponsorship can result from the transfer of a Distributorship.

3.16 SEPARATION OF DISTRIBUTORSHIP

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

- If a jointly owned Distributorship is dissolved, anyone of the joint owners may operate the Distributorship, but the other joint owners must relinquish their rights to, and interests in, the Distributorship.
- USANA cannot divide a Downline Organisation, nor can it split commission or bonus between the joint owners.

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

3.17 SUCCESSION

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

3.18 TAXES

3.18.1 INCOME TAXES

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

3.19 TELEPHONE AND E-MAIL SOLICITATION

The use of any automated telephone solicitation equipment in connection with the marketing or promotion of USANA, its products, or the USANA opportunity is strictly prohibited. The use of “boiler-room” telemarketing operations to sell products or services over the telephone, or to recruit Distributors, is strictly prohibited. Distributors are also forbidden from sending

unsolicited e-mail messages or “spamming” to sell products or to recruit Distributors.

3.20 TERRITORIES

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

3.21 TRADE SHOWS AND EXPOSITIONS

Distributors may display and/or sell USANA products at trade shows and expositions, but may not display or sell USANA products at events that are not conducive to the image USANA wishes to portray. All literature displayed at the event must be official USANA literature and must clearly identify the individual(s) as Independent Distributors.

3.22 TRANSFERRING OF SPONSORSHIP

3.22.1 CONFLICTING ENROLLMENTS

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

3.22.2 CROSS-LINE RAIDING

USANA will not permit any change in the line

of sponsorship except in the following circumstances:

- Where a Distributor has been fraudulently or unethically induced into joining USANA.
- Where an incorrect placement was made due to a Distributor error, a change in the line of sponsorship can be made to correct the error where a request for a change is made within 10 days of enrollment. If you make such a request, you must also submit the written consent of your Sponsor and that person's Sponsor along with the required placement change fee. If at the time of the request you have any downline organisation in place, no change will be permitted in the line of sponsorship. In the event that such a change is approved, commissions and bonuses earned will be adjusted accordingly. In no case will a change of placement be approved where a signed application has not been received by USANA.
- If you terminate your Distributorship in writing you may rejoin under the Sponsor of your choice after a period of 6 months. Following termination of your Distributorship, you may participate as a Preferred Customer during the 6-month period. In the event you terminate your Distributorship, you forfeit all rights, bonuses, and commissions under your previous line of sponsoring. You may not avoid compliance with this policy through the use of assumed names, corporations, partnerships, trusts, spouse names, social insurance numbers, social security numbers, employer identification numbers, fictitious ID numbers, etc.
- If you have been “inactive” (i.e., no purchases or sales of USANA products or participation in any other form as 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.

- Cross-line raiding is strictly prohibited. “Cross-line raiding” is defined as the enrollment or attempted enrollment of an individual or Entity that already has a current Preferred Customer or Distributor Agreement on file with USANA, or who has had such an agreement within the preceding six (6) calendar months within a different line of sponsorship. The use of trade names, assumed names, corporations, partnerships, trusts, spouse names, social insurance numbers, , social security numbers, employer identification numbers, or fictitious ID numbers to circumvent this policy is prohibited. Distributors may not demean, discredit, or invalidate other USANA Distributors in an attempt to entice another Distributor to become part of the first Distributor's Downline Organisation.

SECTION 4—RESPONSIBILITIES OF DISTRIBUTORS AND SPONSORS

4.1 ONGOING SUPERVISION, TRAINING, AND SALES

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

4.2 NON-DISPARAGEMENT

In setting the proper example for their downline, Distributors must not disparage

USANA, other USANA Distributors, USANA's Products, the USANA Compensation Plan, or the Company's employees. Such disparagement constitutes a material breach of these Policies and Procedures.

4.3 HOLDING APPLICATIONS OR ORDERS

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

4.4 REPORTING POLICY VIOLATIONS

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

SECTION 5—SALES REQUIREMENTS

5.1 PRODUCT SALES

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

- A minimum of seventy percent (70%) of a Distributor's orders must be for Customers or end users. The sales volume of a Distributor's personally enrolled Preferred Customers shall be included for the purposes of determining compliance with the 70% requirement. The sales volume of the Distributor's retail sales will be included as well. Distributors may not purchase additional product until at least

seventy percent (70%) of the previous order has been sold to end consumers.

- Distributors must develop or service at least five customers every four-week rolling period. These customers can be Retail Customers, Preferred Customers, or any combination of the two.
- Distributors are required to furnish their Retail Customers with a receipt which specifies the date of sale, the amount of sale, the items purchased, and the USANA satisfaction guarantee. Distributors 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 Distributors' Preferred Customers will be maintained by USANA.

5.2 RETAIL CUSTOMER SALES

Retail prices set by USANA are recommended prices only. Distributors may sell USANA products at any price at or above the autoship price. We highly recommend that the products are sold at wholesale prices.

All Distributors must provide their Retail Customers with an official USANA sales receipt.

5.3 EXCESSIVE PURCHASE 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 USANA Compensation Plan. Distributors may not purchase more than they can reasonably resell or consume in any four-week rolling period, nor encourage others to do so. Distributors are limited to a product purchase of RM3,000.00 per order at wholesale. Distributors may receive an exception to this rule if they have evidence that they hold retail orders exceeding the limit or submit an explanation justifying the need for inventory levels exceeding this limit.

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

5.4 DEPOSITS

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

SECTION 6—BONUSES AND COMMISSIONS

6.1 BONUS AND COMMISSION CYCLES

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

6.2 ADJUSTMENT OF BONUSES AND COMMISSIONS

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

6.3 LOSS OF RIGHTS TO COMMISSIONS

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

6.4 UNCLAIMED COMMISSIONS AND CREDITS

Distributors who provide USANA with incomplete or invalid bank account information will have their commission and bonus retained as a credit. Any unclaimed credit will be held in trust for 6 years, during which time USANA may periodically notify the distributors in writing of their credit balance. USANA will charge a fee of RM 20.00 for each notification or attempted notification, which is deducted from the Distributors' credit on account.

SECTION 7—PRODUCT GUARANTEES, RETURNS, AND INVENTORY REPURCHASE

7.1 PRODUCT EXCHANGE GUARANTEE

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

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

7.2 THIRTY (30) DAY RETURN POLICY

7.2.1 RETAIL CUSTOMERS

USANA obligates its Distributors to honour the Company's 100%, unconditional, 30-day, money-back guarantee to all Retail Customers. If for any reason a Retail Customer is dissatisfied with any USANA product, he/she may return the product to the Distributors 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. 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 Distributors who sold the product to the Retail Customer must immediately refund the Retail Customer's purchase price. (Retail Customers must return merchandise to the Distributors who sold it to them; USANA will not accept returned merchandise directly from Retail Customers.) The Distributors, 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 Distributors. All retail customers must be provided with two copies of an official USANA sales receipt at the time of the sale. The back of the receipt provides the customer with written notice of his / her rights to cancel the sales agreement.

7.2.2 PREFERRED CUSTOMERS

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

7.2.3 DISTRIBUTORS

If a Distributor elects to cancel his/her Distributorship during the thirty-day period immediately following his/her enrollment, USANA will refund 100% of the price of the Starter Kit and all products purchased as part of the Distributor's initial order (excluding shipping). The canceling Distributor must return the products and the entire Starter Kit to USANA, shipping prepaid, along with a letter explaining that he/she wishes to terminate his/her Distributorship and receive a refund. Please note that this 100% refund (less shipping) does not apply once a Distributor places his/her second product order. After the first order, refunds for returned products, Starter Kits, and sales aids are made pursuant to section 7.3. If a Distributor returns his/her Starter Kit and/or merchandise equal to, or exceeding RM400.00, for a refund, the return constitutes a Voluntary Cancellation of his/her Distributor Agreement. Moreover, the Company will adjust the appropriate

Distributors' Sales Volume and Commission pursuant to Section 6.2.

7.3 ALL OTHERS RETURNS

After the initial order, a Distributor may return to USANA products, including promotional materials and sales aids, purchased within the past 365 days for a refund of 90% of the purchase price (less handling and delivery charges) if the merchandise is in resalable condition, unless otherwise required by law. However, returns that result in refunds in excess of RM400 may result in the termination of the Distributorship. Moreover, USANA may deduct from the amount of the refund any commissions or bonuses the Distributor may have received as a result of the products that he/she is returning.

In Malaysia, USANA will only accept return of products sold in Malaysia.

7.4 PROCEDURES FOR ALL RETURNS AND REPURCHASES

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

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

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

- Send the product to USANA within 10 days of the customer's return. The package must be accompanied by a completed Dissatisfied Consumer Product

Return Form, a copy of the original sales receipt, and the unused portion in the original container.

- Only the Preferred Customer or 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

8.1.1 GRIEVANCES AND COMPLAINTS

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

8.1.2 LEGAL SERVICES DEPARTMENT REVIEW

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

8.2 DISPUTES BETWEEN USANA AND DISTRIBUTORS

8.2.1 ARBITRATION

All disputes and claims relating to USANA, its USANA Compensation Plan, its Products, the rights and obligations of its Distributors and USANA, or any other claim or cause of action relating to product purchase(s) or performance, either of a Distributor or of USANA under the Distributor Agreement, shall be settled totally and finally by arbitration in Salt Lake City, Utah unless the laws of the state or province in which the Distributor resides expressly require otherwise. There shall be one arbitrator, an attorney at law, with expertise in transactional law (there being a strong preference for an attorney knowledgeable in the direct selling industry), selected from the panel which the American Arbitration Panel provides. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees. If a Distributor files a claim or counterclaim against USANA, the Distributor may only do so on an individual basis and not with any other Distributor or as part of a class action. The decision of the arbitrator shall be final and binding upon the parties and may, if need be, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitrate shall survive any cancellation or expiration of the Distributor Agreement.

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

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

8.2.2 JURISDICTION, VENUE, AND CHOICE OF LAW

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

8.3 DISCIPLINARY ACTIONS

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

- 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 the USANA programmes, progressing in the USANA Compensation Plan, or participating as a Sponsor (including participating as an International Sponsor), for a specified period of time or until the Distributor satisfies certain specified conditions;
- Withholding commissions or bonuses for a specified period of time or until the Distributor satisfies certain specified conditions;
- Imposing fair and reasonable fines or other penalties in proportion to actual damages incurred by USANA and as permitted by law; and/or
- Terminating a Distributorship

SECTION 9—ORDERING

9.1 ORDERING METHODS

Distributors may place orders by telephone, fax, mail, e-mail, through the Internet, or through the Autoship Programme. 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 Distributor Product Order Form. Payments must be made by credit card or Direct Bank Debit (if already on file.)

When ordering by fax - print information legibly on the order form and use the white copy to fax. Payments may be made by credit card or Direct Bank Debit (if already on file.)

When ordering by mail, send completed white order form to UHS Essential Health (M) Sdn Bhd's office in Kuala Lumpur.

Keep a copy of the order form for your records. Payment may be made by credit card or Direct Bank Debit (if already on file).

9.2 AUTOSHIP PROGRAMME

Distributors and Preferred Customers in good standing may participate in the USANA Autoship Programme. A Distributor may enroll in this programme through their Distributor Application and Agreement or by completing a Distributor Autoship Agreement, identifying the products they wish to order each four-week rolling period. The credit card or bank account from which they authorise payment will be automatically charged the amount of the order plus applicable shipping and sales tax. Distributors must ensure that they have adequate funds in their account the week prior to the processing of their Autoship order.

9.3 GENERAL ORDER POLICIES

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

Orders for products and sales aids may be combined.

9.4 PURCHASING USANA PRODUCTS

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

9.5 BACK ORDER POLICY

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

9.6 SHIPPING DISPREPANCIES

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

SECTION 10—PAYMENT AND SHIPPING

10.1 METHODS OF PAYMENT

All forms and authorisations must be accompanied by the Distributor's signature.

10.1.1 CREDIT CARDS

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

10.1.2 DIRECT DEBIT

Distributors who have a bank account with Public Bank Berhad may opt to pay for their orders through Direct Debit to their bank accounts. To do so, a Distributor has to complete Public Bank's Direct Debit Authorisation Form and submit it to USANA. It may take six to eight weeks for the Direct Debit process to be approved.

10.2 INSUFFICIENT FUNDS AND DECLINED OR DISPUTED CREDIT

All electronic funds transfers returned unpaid by the bank will incur a RM20.00 charge. Any outstanding balance owed to USANA will be

deducted from subsequent commission or bonus cheques. Failure to resolve any outstanding balance owed to USANA may result in the involuntary cancellation of distributorship.

10.3 AUTOSHIP PROGRAMME

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

SECTION 11—DISTRIBUTOR SERVICES

11.1 CHANGES TO YOUR DISTRIBUTORSHIP

11.1.1 IN GENERAL

Each Distributor must immediately notify USANA of all changes to the information contained on the Distributor Application and Agreement. Distributors may modify their existing Distributor Agreement by submitting a written request, a properly executed Distributor 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 Distributor Application and Agreement containing the applicant's and co-applicant's identification numbers and signatures. The modifications permitted within the scope of

this paragraph do not include a change of sponsorship.

11.2 DOWNLINE GENEALOGY REPORTS AND COMMISSION STATEMENTS

11.2.1 DOWNLINE GENEALOGY REPORTS

Downline Genealogy Reports are available online for Distributors who subscribe to the Downline Management System (DLM). The Reports contain trade secret information which is proprietary to USANA. Refer to section 3.6.2 for restrictions on using these reports.

11.2.2 COMMISSION STATEMENTS

Commission Statements are available online for all active Distributors receiving a commission, and are mailed to Distributors only on request.

11.3 ERRORS OR QUESTIONS

If the information on your downline genealogy report is inaccurate or incomplete, you must notify USANA within 30 days of discovering the inaccuracy.

11.4 RESOLVING PROBLEMS

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

SECTION 12—INACTIVITY AND TERMINATION POLICIES

12.1 INACTIVITY

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

12.2 INVOLUNTARY CANCELLATION

A Distributor's violation of any of the terms of the Distributor Agreement, including any amendments which may be made by USANA in its sole discretion from time to time, constitutes a material breach of the Distributor Agreement and may result, at USANA's option, in any of the Disciplinary Actions listed in Section 8.3, including cancellation of his/her Distributorship. Involuntary Cancellation of a Distributorship will result in the Distributor's loss of all rights to his/her Downline Organisation and any bonuses and commissions generated thereby.

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

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

decision. This decision of the Legal Services Department will be final.

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

12.3 WRITTEN CANCELLATION

A Distributor 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 Distributor's or Preferred Customer's signature, printed name, address, and appropriate identification number.

12.4 EFFECT OF TERMINATION

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

A Distributor who is voluntarily canceled will receive commissions and bonuses only for the

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

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

SECTION 13—DEFINITIONS

DEFINITION OF TERMS

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

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

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

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

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

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

Policies & Procedures

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

Company — The term “Company” as it is used throughout these Policies and Procedures, and in all USANA literature, means USANA Health Sciences, Inc. and UHS Essential Health (Malaysia) Sdn Bhd.

Distributor — An individual or business entity who has executed a distributor Agreement that has been accepted by USANA

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

Downline Leg — All individuals, starting from a person directly placed under you, who are then linked directly or indirectly to him or her represent one leg in your downline organisation.

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

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

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

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

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

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

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

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

Leg — See “Downline Leg” above.

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

Lower Producing Leg - When comparing the Group Sales Volume (GSV) of two different legs of your organisation, the leg with the lower GSV is the lower producing leg. If they generate the same GSV, then either leg can be considered the lower producing leg.

Malaysian Distributor - A Distributor who executed a USANA Malaysia Distributor Application and Agreement. A Malaysian citizen who resides overseas, and who enrolls with USANA in his or her country of residence is not considered a Malaysian Distributor.

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

Personal Sales Volume (PSV) — The commissionable value of products purchased by a Distributor.

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