

Binary Compensation Plan

At USANA Health Sciences, we are dedicated to helping you achieve your own personal success. For this reason, we have invested considerable time and money in developing a compensation plan that gives every Associate the best opportunity for network marketing success—a plan that establishes a departure from the traditional multilevel marketing requirements of heavy sponsoring and large group volumes.

The USANA Binary Compensation Plan eliminates many of the pitfalls that plague traditional network marketing plans. Following are just a few of the benefits of the USANA Binary Compensation Plan:

- By building a downline of Associates and developing a strong base of customers, you can begin to realize financial success.
- There is greater depth from which you can earn commissions.
- Commissions are paid weekly, motivating new Associates to immediate success.
- Your upline has an incentive to work with you to help you build your downline.
- Associate success is more widespread and evenly distributed; the plan is fair to everyone involved.

AREAS OF INCOME

There are three ways to earn income with the USANA Binary Compensation Plan:

- Retail Sales
- Commissions
- Leadership Bonuses

RETAIL SALES

Independent USANA Associates may be Distributors of USANA products. As a Distributor, you can purchase products at wholesale cost. When you sell these products to your customers at retail price, you earn an immediate profit. The difference between what you pay for the product and the price at which you sell the product is your retail profit.

The importance of selling cannot be overemphasized. It is the surest method you and your new Associates have for developing immediate income for your business while you build a long-term base of satisfied customers. In fact, many of your best Associates will likely come from the ranks of your retail customers.

COMMISSIONS

Commissions are paid on whole increments of the balanced Group Sales Volume (GSV) accumulated in your left-side and right-side organizations (see Weekly Commission Payout Schedule on page 3). Unlike other compensation plans, extra volume of up to 5,000 points on each side is carried forward. As you develop an organization of Associates and Preferred Customers, you become eligible to earn commissions and bonuses. When you and the other Associates in your organization generate sales volume through downline and Preferred Customer sales, you can receive commissions from your Group Sales Volume. Through the USANA Binary Compensation Plan, you can begin to create long-term financial success.

LEADERSHIP BONUSES

For Associates who demonstrate leadership abilities by building large and successful organizations, USANA also offers a very exciting Leadership Bonus program. Each week, three percent of the total Company GSV is divided among qualifying Gold Directors and above.

To qualify for the Leadership Bonus, an Associate must:

- Generate at least 100 points in Personal Sales Volume (PSV) during the current four-week period.
- Maximize at least one Business Center during the current week.
- Help a personally sponsored Associate qualify to earn commissions for the first time at the Sharer level or above every 4-week cycle. An Associate can accumulate up to 13 (one year's worth) at a time. The date of sponsorship is irrelevant. Any Associates he or she has ever historically sponsored are eligible.

Note: After five consecutive years of qualifying for Leadership Bonus every 4-week cycle (beginning January 1, 2003), an Associate is considered vested, and rather than a personally sponsored Associate qualifying at the Sharer level or above every 4-week cycle (13 times a year), a personally sponsored Associate must qualify to earn commissions for the first time at the Believer level or above at least once every three months, or accumulate up to four (one year's worth).

- Be available by phone to their organization.
- Participate in no other network marketing program.
- Actively train and supervise their downline sales organization.

Binary Compensation Plan

An Associate will be paid a Leadership Bonus based on a formula that takes into account how many Business Centers he or she has maximized during the week, his or her leadership rank, and whether or not the qualifying Business Centers have maxed for more than one consecutive week. By maximizing additional Business Centers, the Associate will move to higher ranks, which means more income from the Leadership Bonus program.

GETTING STARTED

As you know, becoming a USANA Independent Associate is easy. All it takes is completing an Associate Application and Agreement form, signing, and submitting the original to the USANA Data Processing Office with appropriate payment for a Business Development System (BDS). Once the application has been received and accepted by USANA, the Associate may begin building an Associate organization by sponsoring friends and acquaintances as Independent USANA Associates or Preferred Customers. At this point, an Associate can also make an election on the Application and Agreement form to be a Distributor. All Associates may immediately begin purchasing products at wholesale cost for their personal consumption. Distributors have the added benefit of the right to resell products purchased at wholesale cost for a retail profit.

The USANA Binary Compensation Plan described in the following sections is very straightforward in structure. Because each Associate can place no more than two first-level Associates per Business Center, the Sales Volumes of those people sponsored by your upline may benefit you. Likewise, you can help your downline Associates build their organizations. The element of teamwork is just one of the many factors that makes the USANA Binary Compensation Plan a step above traditional network marketing plans, where newly sponsored Associates are rarely shared with downline Associates. Remember, in USANA, you are part of a T.E.A.M. (Together Everyone Achieves More).

In addition to reading the information provided here, we encourage you to watch the Health & Freedom Video found in your BDS, which provides further explanation of the USANA Binary Compensation Plan. You can begin building your organization immediately, and because USANA pays commissions every week, you can realize a very quick return on your efforts.

STEP #1

ACTIVATE YOUR BUSINESS CENTER(S)

The Binary Compensation Plan is based upon what is called your Business Center. You can begin to build an organization around one or three Business Centers.

ACTIVATING ONE BUSINESS CENTER

To activate one Business Center and begin earning commissions, you must achieve 150 points in Personal Sales Volume (PSV). This volume can be made in a single order for your customers and your personal use or accumulated from many orders. The number of your first Business Center is 001.

ACTIVATING THREE BUSINESS CENTERS

To activate three Business Centers (001, 002, and 003), you must achieve 450 points in PSV within the first six Fridays from the date that you become an Associate (see rolling calendar in this section). If you do not achieve 450 points in PSV within this time, you will lose your 002 and 003 Business Centers. If your initial product purchase is equal to at least 450 points in Sales Volume, the computer will automatically split your order with 150 points in Personal Sales Volume placed in Business Center 001, 150 points placed in Business Center 002, and 150 points in Business Center 003. This means you will immediately begin with 150 points in both the left and right sides of Business Center 001.

STEP #2

SIGN UP FOR AUTOSHIP (YOUR SUBSCRIPTION TO HEALTH)

Enroll in the Autoship program. To ensure your success in selling the products, you must first believe in them yourself. Autoship is a convenient way to receive your products, to help you use them regularly, and to have them on hand for your customers.

STEP #3

BEGIN TO BUILD

Whether you are starting with one Business Center or three Business Centers, the most important part is that you simply get started. Use the resource guide of tools and publications found in the "Starting Out" section of this kit, to begin to share the USANA vision with others.

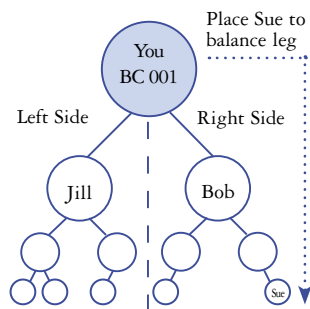
Binary Compensation Plan

BUILDING WITH ONE BUSINESS CENTER

If you begin your USANA business with one Business Center (001), you can begin to build an organization by finding new customers and sponsoring two new Associates (for example, Jill and Bob in Figure A). When you have sponsored your first two Associates, you will have established a left side and a right side to your Business Center. As you sponsor new Associates, you must specify, in the “Placement” section of the new Associate Application Form, the Associate Number of the person you want your new Associate placed under, whether you want the new Associate placed on the left or the right side, and which Business Center he or she is to be placed under. For example, if my name were John Doe and I were sponsoring Jill Jones and wanted to place her under my 001 Business Center, on the left side, I would write my name, John Doe, in the placement information, write my Associate number, write 001 to specify the Business Center I want Jill Jones to be placed under, and check the box that says left side. The computer would then place Jill under my 001 Business Center on the left side.

Note: Be absolutely certain that you fill out the placement information correctly. The home office cannot change downline placement once it has been entered into the computer system.

Figure A

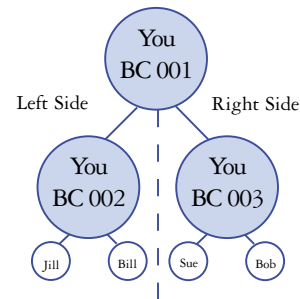


As you, Jill, and Bob find new customers and sponsor new Associates, your Business Center begins to grow. When you want to sponsor a third Associate (Sue, for example), you must place her in an open position somewhere in your downline organization. Teamwork of this nature helps to motivate your downline Associates to greater action and success, thereby enhancing the potential and stability of your organization—and the corresponding income.

BUILDING WITH THREE BUSINESS CENTERS

Beginning your USANA business with three Business Centers is essentially the same as beginning with one, only now you have two Business Centers to place new Associates under (see Figure B). Once you have your four first-level Associates in position, you may begin to build Business Centers 002 and 003 in the same way that you would build Business Center 001 if you had started with only one Business Center. The advantage of the three Business Center approach is that you will build two Business Centers and be paid on three (001, 002, and

Figure B



003). If you plan to build a large USANA business, you will maximize your earnings potential by starting with three Business Centers.

EARNING COMMISSIONS FROM YOUR BUSINESS CENTER(S)

As your organization begins to grow, Group Sales Volume (GSV) will accumulate. To begin to receive a commission from this volume, you must be an active Associate accumulating at least 100 PSV in your 001 every four-week rolling cycle, and each side of your

Business Center must reach a minimum cumulative GSV (see Weekly Commission Payout Schedule, Figure C). You must also meet the sales requirements stipulated in your Associate Agreement.

*B*inary Compensation Plan

Binary Compensation Plan

to the Weekly Commission Payout Schedule, your highest balanced GSV is 1,000 on each side, which would earn you a commission of 200 points for the week.

To keep multiple Business Centers active, you must produce at least 200 points in PSV worth of product every four weeks. With three Business Centers (bottom of Figure D), you build balanced legs on two Business Centers and earn commissions on three. Your 002 and 003 Business Centers would each have 500 points in GSV on the left side and 500 points in GSV on the right. According to the Weekly Commission Payout Schedule, the highest balanced GSV is 500, earning you 100 commission points for the week in the 002 and 003 Business Centers. Your 001 Business Center would earn the same 200-point commission as before. That's a 400-point commission for you—twice the commission for the week from 20 Business Centers generating 2,000 points in GSV.

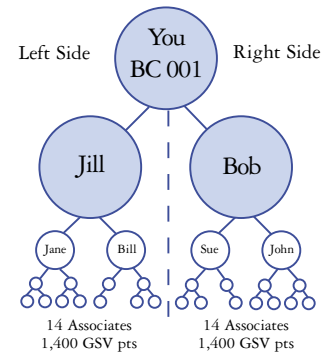
CARRYOVER VOLUME

Assume that each Business Center (including your own) in Figure E is active and has generated 100 points in PSV within the current week. In this example, you have 14 Business Centers on each side, each generating 100 points in PSV. That is a total of 1,400 points in GSV on your left side and 1,400 points in GSV on your right; your own PSV counts toward the GSV of your upline. According to the Commission Payout Schedule your highest balanced GSV is 1,000 on each side, which would earn you a commission of 200 points for the week. The extra GSV would carry forward, and you would start the next week with 400 points in GSV on your left side and 400 points on your right side.

To keep multiple Business Centers active, you must produce at least 200 points in PSV every four weeks. With three Business Centers (bottom of Figure E), you build balanced legs on two Business Centers and earn commissions on three. Your 002 and 003 Business Centers would each have 700 points in GSV on the left side and 700 points in GSV on the right. According to the Weekly Commission Payout Schedule, the highest balanced GSV is 500, earning you 100 commission points for the week in the 002 and 003 Business Centers. Your 001 Business Center would earn the same 200-point commission as before. That's a 400-point commission for you—twice the commission for the week from 28 Business Centers

Figure E

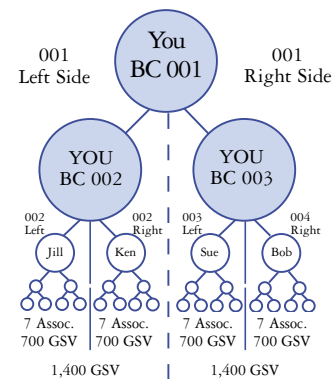
1 Business Center



28 Active (100 PSV) Associates
14 on each leg
1,000 Balanced GSV
(1,000 Highest balanced GSV)
carry over = 400 left, 400 right

Total Commission Points
= 200 pts.

3 Business Centers



28 Total Associates, 7 on each leg
1,000 Balanced GSV BC 001 earns 200 pts
500 Balanced GSV BC 002 earns 100 pts
500 Balanced GSV BC 003 earns 100 pts

Total Commission Points
= 400 pts.

generating 2,800 points in GSV. Plus, the extra Sales Volume in each Business Center would carry forward.

KEEPING YOUR BUSINESS CENTER(S) ACTIVE

To receive commissions in the USANA Binary Compensation Plan, you must keep your Business Center(s) active by achieving a minimum PSV requirement. To keep one Business Center active, you must achieve a PSV of at least 100 points during each

Binary Compensation Plan

four-week rolling period. To keep two or more Business Centers active, you must achieve at least 200 points in PSV during each four-week rolling period. **IMPORTANT:** If you begin your business with three Business Centers, you are not required to achieve 200 points in PSV from the very beginning. Even though you have three Business Centers, you may choose to concentrate on building Business Center 001 early on. Therefore, you can qualify for commissions on this Business Center with 100 points in PSV. As soon as you want to start qualifying for commissions on Business Centers 002 and 003, you can do so by upgrading your PSV to 200 points for each four-week rolling period. Understand, however, that volume in Business Centers 002 and 003 will not begin to accumulate until you have qualified to receive commissions on three centers with 200 points in PSV.

It is also important to understand that your first 200 points in PSV during any given four-week rolling period will be placed in your Business Center 001. If, at any time, you allow your Business Center(s) to become inactive, all volume within each of your Business Center(s) will be erased, and the volume will begin at 0 points when the Business Center(s) is reactivated. Remember that your sales requirements must be met at all times in order to qualify for commissions.

FOUR-WEEK ROLLING PERIOD

Four-Week Rolling Period—The four pay periods (four Fridays) after an Associate places a product order of 100 points or more.

AUTOSHIP CONVENIENCE AND PEACE OF MIND PLUS A 10% DISCOUNT

As a convenience and benefit to you, USANA offers all Associates and Preferred Customers the opportunity to take advantage of its Autoship program (your subscription to health). The Autoship program helps increase your potential by ensuring that you have a minimal inventory from which to resell (Distributors only) products. To take advantage of the Autoship program, simply complete an Autoship form, specifying the products and sales tools you would like to automatically receive every four weeks and the company will ensure that your order is filled and shipped directly to your home or other place of business. (To track your Autoship, use the Four-Week Rolling Period Calendar

in the Business Building tools section.) Autoship orders will always be shipped regardless of whether the Associate has placed additional orders throughout the month. Over 90 percent of all Associates earning commissions in USANA are enrolled in the Autoship program. Fill out the Autoship form today.

Please Note: You may not return product previously certified as sold. You must cancel your participation in the Autoship program if you do not sell or personally consume at least 70 percent of each previous order.

PREFERRED CUSTOMER

Another way to accumulate Group Sales Volume (GSV) is by adding Preferred Customers to the left and right of your Business Centers. Preferred Customers are able to order products at wholesale or Autoship prices, but they do not earn commissions. Although you do not earn retail commissions from the orders of Preferred Customers, their orders earn points, which are added to your GSV total for the side in which they are placed (left or right).

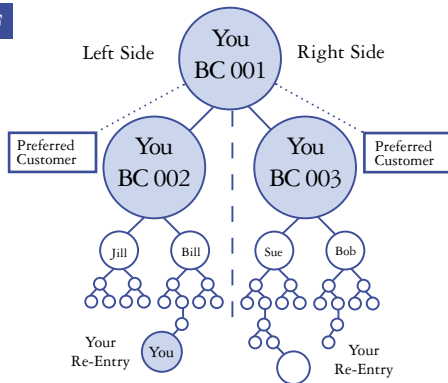
RE-ENTER WITH A NEW BUSINESS CENTER

When you maximize a Business Center (by generating 5,000 points in GSV on both the left and right sides of the Business Center), you will be issued an electronic Re-Entry Certificate in your account. You can receive a maximum of two Re-Entry Certificates for each Business Center. The Re-Entry Certificate will allow you to begin another Business Center at the bottom of your organization. This allows you to help others in your sales organization by being involved at a deeper level. Once you establish where you want to re-enter with another Business Center (see Figure F), the next step is to send a written request to place the new Business Center to Distributor Services with placement information. You may place a new Re-Entry at the bottom of any leg. Re-entry Certificates will not expire. A Re-Entry must be placed with at least ten active Associates' 001 Business Centers between the Re-Entry and any other personal Business Center. For purposes of re-entry placement, an active Associate is defined as an Associate that is qualified to earn commissions.

You can then activate the new Business Center by generating 150 points in PSV, as indicated in Step 1 (this must be in addition to the 100 or 200 points in PSV required to keep your existing Business Center(s) active

Binary Compensation Plan

Figure F



during the four-week rolling period). You must attach the written request to a product order form. Once you have activated your new Business Center, you can keep it and all other Business Centers active during your rolling period by generating 200 points in PSV. Regardless of the number of Business Centers you have, your PSV requirement will never exceed 200 points. With this new Business Center activated, you can begin building an organization of Associates under it. When you have achieved 5,000 points in GSV in one pay period on each side of this new Business Center, you will receive a Re-

Entry Certificate to begin still another Business Center. Because you can receive two Re-Entry Certificates for each of your original Business Centers, as well as two Re-Entry Certificates for each new Business Center, there truly is no limit to the number of Business Centers you can have in your organization. You are limited only by your efforts and by your ability and desire to build financial security for yourself and your family. Because sales in each new Business Center will generate commissions not only for itself, but also for all the Business Centers you may have upline from the new one, developing new Business Centers strengthens your downline organization.

MOVING A RE-ENTRY

Once a Re-Entry has been placed it may not normally be moved. However, USANA reserves the right to allow placement changes provided that the Business Center has had no activity (group or personal sales volume) within the last six months and all other rules for the placement of a Business Center are followed. Any such request must be in writing and can only be approved by the Compliance Committee.

The average income for North American Associates in 2004 was \$851.63. The earnings portrayed in this literature are not necessarily representative of the income, if any, that a USANA Associate can or will earn through his or her participation in the USANA Compensation Plan. These figures should not be considered as guarantees or projections of your actual earnings or profits. Any representation or guarantee of earnings would be misleading. Success with USANA results only from successful sales efforts, which require hard work, diligence and leadership. Your success will depend on how effectively you exercise these qualities.

Leadership Advancement

USANA has created leadership levels to help direct your short-term goals and establish milestones to help you measure your progress as you work toward your ultimate goal.

Each leadership level is earned as you produce specific volume requirements. The levels of leadership are defined in the chart below. Upon reaching the next level, you will receive a pin.*

Use the chart and the experience of previous Associates to establish reasonable goals for your business.

*Once you advance to a new level, you will not participate at the lower level again.

SHARER	250 Sales Volume Points (SVP) on left and right leg
BELIEVER	500 SVP on left and right leg
BUILDER	1000 SVP on left and right leg
ACHIEVER	2000 SVP on left and right leg
DIRECTOR	3000 SVP on left and right leg
BRONZE DIRECTOR	4000 SVP on left and right leg
SILVER DIRECTOR	5000 SVP on left and right leg
GOLD DIRECTOR	Max out one Business Center for 4 consecutive weeks
RUBY DIRECTOR	Max out any two Business Centers for 4 consecutive weeks
EMERALD DIRECTOR	Max out any three Business Centers for 4 consecutive weeks
DIAMOND DIRECTOR	Max out any four Business Centers for 4 consecutive weeks
ONE-STAR DIAMOND	Max out any five Business Centers for 4 consecutive weeks
TWO-STAR DIAMOND	Max out any six Business Centers for 4 consecutive weeks
THREE-STAR DIAMOND	Max out any seven Business Centers for 4 consecutive weeks
FOUR-STAR DIAMOND	Max out any eight Business Centers for 4 consecutive weeks
FIVE-STAR DIAMOND	Max out any nine Business Centers for 4 consecutive weeks