

USANA HEALTH SCIENCES INC  
Form DEF 14A  
March 13, 2007  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  x

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Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
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**USANA Health Sciences, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Salt Lake City, Utah 84120-6336

(801) 954-7100

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD APRIL 18, 2007**

Dear Shareholder:

You are invited to attend the Annual Meeting of Shareholders of USANA Health Sciences, Inc., to be held at its corporate headquarters, 3838 West Parkway Boulevard, Salt Lake City, Utah on Wednesday, April 18, 2007 at 11:00 a.m., Mountain Daylight Time, for the following purposes:

1. To elect five directors to serve for one year each, until the next Annual Meeting of Shareholders and until a successor is elected and shall qualify;
2. To ratify the selection of Grant Thornton LLP as USANA's independent public accountant; and
3. To consider and act upon such other business as may properly come before the meeting or at any postponement or adjournment thereof.

Only USANA shareholders of record at the close of business on March 2, 2007, have the right to receive notice of, and to vote at, the Annual Meeting of Shareholders and any adjournment thereof. A list of shareholders entitled to receive notice and to vote at the meeting will be available for examination by a shareholder for any purpose that is germane to the meeting during ordinary business hours at the offices of USANA at 3838 West Parkway Boulevard, Salt Lake City, Utah, during the ten days prior to the meeting.

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, YOU ARE REQUESTED TO SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE ENCLOSED STAMPED ENVELOPE.**

By Order of the Board of Directors,

Gilbert A. Fuller  
Corporate Secretary

Salt Lake City, Utah

March 13, 2007

USANA HEALTH SCIENCES, INC.  
ANNUAL MEETING OF SHAREHOLDERS  
PROXY STATEMENT

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**PROXY STATEMENT  
FOR THE ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL 18, 2007**

The Board of Directors of USANA Health Sciences, Inc. ( We, USANA, or the Company ) is soliciting proxies to be used at the 2007 Annual Meeting of Shareholders (the Annual Meeting ). Distribution of this Proxy Statement and the accompanying proxy card is scheduled to begin on or about March 16, 2007. The mailing address of USANA 's principal executive offices is 3838 West Parkway Boulevard, Salt Lake City, Utah 84120-6336. If you attend the Annual Meeting, you may withdraw any prior vote by attending and voting in person on any matters that are brought properly before the meeting. USANA will pay all expenses of the meeting, including the cost of printing and mailing the proxy statement and related materials and the cost of the solicitation process.

**QUESTIONS AND ANSWERS**

***Why did I receive this proxy statement?** We have sent you the Notice of Annual Meeting of Shareholders, this Proxy Statement, and the enclosed proxy or voting instruction card because the USANA Board of Directors is soliciting your proxy to vote at USANA 's Annual Meeting on April 18, 2007. This Proxy Statement contains information about matters to be voted on at the Annual Meeting.*

***Who is entitled to vote?** You may vote if you owned common stock as of the close of business on March 2, 2007. On March 2, 2007, there were 17,971,888 shares of our common stock that were outstanding and entitled to vote at the Annual Meeting.*

***How many votes do I have?** Each share of common stock that you own at the close of business on March 2, 2007 entitles you to one vote.*

***What am I voting on?** You will be voting on proposals to:*

- *Elect five directors to serve for one year each, until the next Annual Meeting of Shareholders or until a successor is elected and shall qualify;*
- *Ratify the selection of Grant Thornton LLP as USANA 's independent public accountant; and*
- *Consider and act upon such other business as may properly come before the meeting or at any postponement or adjournment thereof.*

***How do I vote?** You can vote in the following ways:*

- ***By Mail:** If you are a holder of record, you can vote by marking, dating and signing your proxy card and returning it by mail in the enclosed postage-paid envelope. If you hold your shares in street name, please complete and mail the voting instruction card that you will receive from your broker or bank.*
- ***At the Annual Meeting:** If you are planning to attend the Annual Meeting and wish to vote your shares in person, we will give you a ballot at the meeting. If your shares are held in street name, you need to bring an account statement or letter from your broker, bank or other nominee, indicating that you are the beneficial owner of the shares on March 2, 2007, the record date for voting. **Even if you plan to be present at the meeting, we encourage you to complete and mail the enclosed card in advance of the meeting to vote your shares by proxy.***

*What if I return my proxy or voting instruction card but do not mark it to show how I am voting? Your shares will be voted according to the instructions you have indicated on your proxy or voting instruction card. You can*

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*specify whether your shares should be voted for all, some, or none of the nominees for director. You can also specify whether you approve, disapprove, or abstain from the other proposals. If no direction is indicated, your shares will be voted **FOR** the election of all of the nominees for director and **FOR** the ratification of the selection of Grant Thornton as our independent public accountant.*

***May I change my vote after I return my proxy card or voting instruction card?*** *You may revoke your proxy or change your vote at any time before it is exercised in one of three ways:*

- *Notify our Corporate Secretary in writing before the Annual Meeting that you are revoking your proxy;*
- *Submit another proxy card (or voting instruction card if you hold your shares in street name) with a later date; or*
- *Vote in person on Wednesday, April 18, 2007, at the Annual Meeting.*

***What does it mean if I receive more than one proxy or voting instruction card?*** *It means that you have multiple accounts at the transfer agent and/or with banks and stockbrokers. Please vote all of your shares by returning all proxy and voting instruction cards you receive.*

***What constitutes a quorum?*** *A quorum must be present to properly convene the Annual Meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares that are entitled to vote at the Annual Meeting constitutes a quorum. You will be considered part of the quorum if you return a signed and dated proxy or voting instruction card or if you attend the Annual Meeting. Abstentions and broker non-votes will be counted as shares present at the meeting for purposes of determining whether a quorum exists, but not as shares cast for any proposal. Because abstentions and broker non-votes are not treated as shares cast, they would have no impact on any of the proposals.*

***What vote is required in order to approve each proposal?*** *The required vote is as follows:*

***Election of Directors:*** *The election of the nominees for director requires the affirmative vote of a plurality of the shares cast at the Annual Meeting. This means that the nominees receiving the greatest number of votes in favor of their election will be elected, even if they receive less than a majority of such votes. If you do not want to vote your shares for a particular nominee, you may so indicate in the space provided on the proxy card or on the voting instruction card. In the unanticipated event that any of the nominees is unable or declines to serve, the proxy holder will have the discretion to vote the proxy for another person, as shall be designated by the Board of Directors to replace the nominee, or, in lieu thereof, the Board may reduce the number of directors.*

***Ratification of the Selection of Independent Public Accountant:*** *Ratification of the selection of Grant Thornton as our independent public accountant requires the affirmative vote of a majority of the shares cast at the Annual Meeting. If the shareholders do not ratify the appointment of Grant Thornton, the Audit Committee of the Board of Directors may, but is not required to, reconsider such appointment.*

***How will voting on any other business be conducted?*** *We do not know of any business or proposals to be considered at the Annual Meeting other than those that are described in this Proxy Statement. If any other business is proposed and we decide to allow it to be presented at the Annual Meeting, the proxies that we receive from our shareholders give the proxy holders the authority to vote on that matter according to their best judgment.*

***Who will count the votes?*** *Investor Communications Services will tabulate the votes that are received prior to the Annual Meeting. Representatives of USANA will act as the inspectors of election and will tabulate the votes, if any, that are cast in person at the Annual Meeting.*

*Who pays to prepare, mail, and solicit the proxies? We will pay all of the costs of soliciting these proxies. We will ask banks, brokers, and other nominees and fiduciaries to forward the proxy materials to the beneficial owners of our common stock and to obtain the authority of executed proxies. We will reimburse them for their reasonable expenses. In addition to the use of the mail, proxies may be solicited by our officers, directors, and*



*other employees by telephone or by personal solicitation. We will not pay additional compensation to these individuals.*

***How do I submit a shareholder proposal for next year's Annual Meeting?*** *Any shareholder who intends to present a proposal at the 2008 Annual Meeting of Shareholders must deliver such proposal to the Corporate Secretary, c/o USANA Health Sciences, Inc., 3838 West Parkway Blvd., Salt Lake City, Utah 84120, not later than December 15, 2007, if the proposal is submitted for inclusion in our proxy materials for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934.*

***Who should I call if I have questions?*** *If you have questions about the proposals or the Annual Meeting, you may call Riley Timmer, USANA Investor Relations, at (801) 954-7100. You may also send an e-mail to investor.relations@us.usana.com.*

## **PROPOSAL #1 ELECTION OF DIRECTORS**

USANA's Bylaws provide that the shareholders or the Board of Directors shall determine the number of directors from time to time, but that there shall be no less than three directors. The Board of Directors has set the number of directors at five. The Board of Directors has nominated five directors to stand for re-election at the Annual Meeting. Each director who is elected at the Annual Meeting will hold office until the Company's Annual Meeting in 2008, until a successor is elected and qualified, or until the director resigns, is removed, or becomes disqualified. The Board of Directors has no reason to believe that any of the nominees for director will be unwilling or unable to serve, if elected. If due to unforeseen circumstances a nominee should become unavailable for election, the Board may either reduce the number of directors or may substitute another person for that nominee, in which event your shares will be voted for that other person.

### ***Director Nominees***

The nominees to the Board of Directors in 2007 are Robert Anciaux, Jerry G. McClain, Ronald S. Poelman, Denis E. Waitley, Ph.D., and Myron W. Wentz, Ph.D. All of these nominees currently serve as members of the Board of Directors. Messrs. Anciaux, McClain, and Poelman are independent directors under the rules of the Nasdaq stock exchange. The following information is furnished with respect to these nominees:

**Robert Anciaux**, 61, has served as a director of USANA since July 1996. Since 1990, he has been the Managing Director of S.E.I. s.a., a consulting and investment management firm in Brussels, Belgium. Additionally, since 1982 Mr. Anciaux has been self-employed as a venture capitalist in Europe, investing in various commercial, industrial, and real estate venture companies. In some of these privately held companies, Mr. Anciaux also serves as a director. Mr. Anciaux received an Ingenieur Commercial degree from Ecole de Commerce Solvay Universite Libre de Bruxelles.

**Jerry G. McClain**, 66, has served as a director of USANA since June 2001. Since January 2003, Mr. McClain has been self-employed, operating his own investment and real estate business in Salt Lake City, Utah. From August 2000 to December 2002, Mr. McClain was the Chief Financial Officer of Cerberian, Inc., a privately held company that was headquartered in Salt Lake City, Utah. From 1998 to 2000, Mr. McClain was the Chief Financial Officer and Sr. Vice President of Assentive Solutions, Inc., a company he also co-founded. From 1997 to 1998, Mr. McClain was the Chief Financial Officer for the Salt Lake Organizing Committee for the 2002 Winter Olympic Games. Before 1997, Mr. McClain served as a key financial advisor to many companies as an Audit Partner and a Managing Partner of Ernst & Young LLP for 35 years in several cities throughout the world. Mr. McClain is a CPA and a graduate from the University of Southern Mississippi and Oklahoma State University, where he received a B.S. in Accounting and an M.S. in Accounting, respectively.

**Ronald S. Poelman**, 53, has served as a director of USANA since 1995. Since 1994, he has been a partner in the Salt Lake City, Utah law firm of Jones, Waldo, Holbrook & McDonough, where he is head of the Business Department. Mr. Poelman began his legal career in Silicon Valley in California, and has assisted in the organization and financing of numerous companies over the past 25 years. Mr. Poelman is a founding officer of the Utah Chapter of the National Association of Corporate Directors and frequently lectures at the meetings of this and other organizations. Mr. Poelman received a B.A. in English from Brigham Young University and a J.D. from the University of California, Berkeley.

**Denis E. Waitley, Ph.D.**, 73, has served as a director of USANA since May 2000. Dr. Waitley has also served as a consultant to and a spokesperson for USANA since September 1996. Since 1980, Dr. Waitley has been President of the Waitley Institute, a corporate leadership-training firm that he founded to provide professional and personal development skills for business executives. Dr. Waitley also serves as President of International Learning Technologies, Inc., a company that he founded in 1989, which produces educational audio/visual materials for companies and individuals. During the 1980 s, Dr. Waitley served as Chairman of Psychology for the U.S. Olympic Committee s Sports Medicine Council. He is the author of several national, best-selling, non-fiction books and audio programs on personal excellence. Dr. Waitley received a B.S. from the U.S. Naval Academy at Annapolis, an M.A. in Organizational Development from the Naval Post Graduate School in Monterrey, California, and a Ph.D. in Human Behavior from La Jolla University.

**Myron W. Wentz, Ph.D.**, 66, founded USANA in 1992 and has served as the Chief Executive Officer and Chairman of the Board of USANA since its inception. In 1974, Dr. Wentz founded Gull Laboratories, Inc., which was a developer and manufacturer of medical diagnostic test kits and was the former parent corporation of USANA. Dr. Wentz served as Chairman of Gull from 1974 until 1998. In 1998, Dr. Wentz founded Sanoviv, S.A. de C.V. ( Sanoviv ), a health and wellness center that is located near Rosarito, Mexico. From 1969 to 1973, Dr. Wentz served as Director of Microbiology for Methodist Medical Center, Proctor Community Hospital, and Pekin Memorial Hospital, all of which are located in Peoria, Illinois. Dr. Wentz received a B.S. in Biology from North Central College, Naperville, Illinois, an M.S. in Microbiology from the University of North Dakota, and a Ph.D. in Microbiology and Immunology from the University of Utah.

We will vote your shares as you specify in your proxy card. If you sign, date, and return your proxy card but do not specify how you want your shares voted, we will vote them FOR the election of each of the director nominees who are listed above.

## **RECOMMENDATION**

**The Board of Directors unanimously recommends a vote FOR each director nominee.**

## **BOARD OF DIRECTORS**

The Board of Directors is elected by and is accountable to the shareholders of the Company. The Board establishes policy and provides strategic direction, oversight, and control of the Company. The Board met four times during 2006. All directors attended at least 75% of the meetings of the Board and the Board Committees of which they are members.

### ***Director Independence***

We assess director independence on an annual basis. The Board has determined, after careful review, that each member of the Audit Committee is independent, and that three of the five members of the Board of Directors who have been nominated for election at the 2007 Annual Meeting are independent under applicable listing standards of the Nasdaq stock market.



***Shareholder Communications with Directors***

If the Company receives correspondence from its shareholders that is addressed to the Board of Directors, we forward it to every director or to the individual director to whom it is addressed. Shareholders who wish to communicate with the directors may do so by sending their correspondence to the director or directors at the Company's headquarters at 3838 West Parkway Blvd., Salt Lake City, Utah 84120-6336.

Directors are encouraged by the Company to attend the Annual Meeting of Shareholders if their schedules permit. All directors except Robert Anciaux were present at the Company's Annual Meeting of the Shareholders that was held last year in April 2006.

***Committees of the Board of Directors***

The Board of Directors has a standing Audit Committee, Compensation Committee, and Governance and Nominating Committee. All members of the Audit Committee, Compensation Committee, and Governance and Nominating Committee meet the definition of "independent," as set forth in the listing standards of the Nasdaq stock market.

*Governance and Nominating Committee.* The Governance and Nominating Committee of the Board of Directors (the "Nominating Committee") was established in February 2004. The Nominating Committee met two times during 2006. Members of the Nominating Committee during fiscal 2006 and at the date of this Proxy Statement are Robert Anciaux and Ronald S. Poelman, both of whom meet the definition of "independent" set forth in the listing standards of Nasdaq. A written charter has been adopted for the Nominating Committee and can be accessed electronically in the "Corporate Governance" section of our website at [www.usanahealthsciences.com](http://www.usanahealthsciences.com). The Nominating Committee's responsibilities include: (i) identifying and evaluating prospective nominees for director, (ii) recommending to the Board of Directors the director nominees for the next annual meeting of shareholders, (iii) periodically reviewing the performance of the Board and its members and determining the number, function, and composition of the Board's committees, and (iv) overseeing corporate governance matters.

The Nominating Committee believes that the Company's Board of Directors should be composed of directors with varied, complementary backgrounds and that directors should, at a minimum, have expertise that may be useful to the Company. Directors should also possess the highest personal and professional ethics and should be willing and able to devote the required amount of time to the Company's business. In determining whether a director should be retained and stand for re-election, the Nominating Committee also considers that director's performance and contribution to the Board during his or her tenure with the Board.

The independent directors may from time to time consider qualified nominees who are recommended by shareholders. Shareholders who wish to make such a recommendation may do so by sending a written notice, as described under the heading "How do I submit a shareholder proposal for next year's Annual Meeting?" on page 4 of this Proxy Statement. Nominees for director who are recommended by shareholders will be evaluated by the Nominating Committee in the same manner as any other nominee for director.

*Audit Committee.* The Audit Committee of the Board of Directors (the "Audit Committee") is a standing committee of the Board, which has been established as required by Section 3(a)(58)(A) of the Securities Exchange Act of 1934 and the rules of the Nasdaq stock exchange. The Audit Committee met five times during 2006. Members of the Audit Committee during fiscal 2006 and at the date of this Proxy Statement are Ronald S. Poelman, Chairman, Robert Anciaux, and Jerry G. McClain, each of whom meets the definition of "independent" set forth in the listing standards of the Nasdaq stock exchange. The Board has determined that Mr. McClain is an "audit committee financial expert," as defined by Item 401 under

Regulation S-K that has been promulgated by the Securities and Exchange Commission. A written charter has been adopted for the Audit Committee and can be accessed electronically in the Corporate Governance section of our website at [www.usanahealthsciences.com](http://www.usanahealthsciences.com). We believe that this charter complies with the current requirements of the Nasdaq stock exchange regarding audit committee charters. The Audit Committee's responsibilities include: (i) appointing the independent public accountants of the Company, (ii) reviewing and approving the scope and cost of any proposed audit and non-audit services that are provided by, as well as the qualifications and independence of, the independent auditors, (iii) reviewing with the independent auditors, and internal audit staff the results of audits, any recommendations from the independent auditors and the status of management's actions for implementing such recommendations, as well as the quality and adequacy of our internal financial controls and internal audit staff, and (iv) reviewing annual and quarterly financial statements and the status of material pending litigation and regulatory proceedings.

*Compensation Committee.* The Compensation Committee of the Board of Directors (the Compensation Committee) met six times during 2006. Members of the Compensation Committee during fiscal 2006 and at the date of this Proxy Statement are Robert Anciaux, Chairman, Jerry G. McClain, and Ronald S. Poelman, each of whom meets the definition of independent set forth in the listing standards of the Nasdaq stock exchange. A written charter has been adopted for the Compensation Committee and can be accessed electronically in the Corporate Governance section of our website at [www.usanahealthsciences.com](http://www.usanahealthsciences.com). The Compensation Committee's responsibilities include: (i) reviewing and recommending to the full Board of Directors the salaries, bonuses, and other forms of compensation and benefit plans for management and (ii) administering USANA's equity compensation plans. The duties of the Compensation Committee as the administrator of those plans include, but are not limited to, determining those persons who are eligible to receive awards, establishing terms of all awards, authorizing officers of the Company to execute grants of awards, and interpreting the provisions of the equity compensation plans and grants that are made under those plans.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee during fiscal 2006 was composed of Robert Anciaux, Chairman, Jerry G. McClain, and Ronald S. Poelman. All members of the Compensation Committee are independent directors. No member of the Company's Compensation Committee is a current or former officer or employee of the Company or any of its subsidiaries, and no director or executive officer of the Company is a director or executive officer of any other corporation that has a director or executive officer who is also a director of the Company.

#### EXECUTIVE OFFICERS

The executive officers of USANA at December 30, 2006, and as of the date of this Proxy Statement were:

Name	Position
Myron W. Wentz, Ph.D.	Chairman of the Board and Chief Executive Officer
David A. Wentz	President
Fred W. Cooper, Ph.D.	Executive Vice President of Operations
Gilbert A. Fuller	Executive Vice President, Chief Financial Officer, and Secretary
Kevin Guest	Executive Vice President of Marketing
Bradford Richardson	Executive Vice President of Asia Pacific
Mark H. Wilson	Executive Vice President of Customer Relations
Timothy E. Wood, Ph.D.	Executive Vice President of Research and Development

Biographical information for Myron W. Wentz is included in the discussion on page 6 concerning the nominees for director. The following information is provided regarding David A. Wentz, and Messrs. Cooper, Fuller, Guest, Richardson, Wilson, and Wood.

**David A. Wentz**, 36, President. Mr. Wentz joined USANA as a part-time employee in 1992. He has been a full-time employee since March 1994. From 1993 until April 2004, he was a member of the Company's Board of Directors. Mr. Wentz was appointed President of USANA in July 2002 and previously served as the Company's Executive Vice President from October 2001 to July 2002. He served as the Company's Senior Vice President of Strategic Development from June 1999 to October 2001, and as the Company's Vice President of Strategic Development from August 1996 to June 1999. Mr. Wentz received a B.S. degree in Bioengineering from the University of California, San Diego. Mr. Wentz is the son of Dr. Wentz, who is the Chairman and Chief Executive Officer of the Company.

**Fred W. Cooper, Ph.D.**, 44, Executive Vice President of Operations. Dr. Cooper was a consultant to the Company from 1997 until early 1998. In February 1998 he joined the Company on a part-time basis as Director of Special Projects. From April 1998 until April 1999, he was employed as a full-time employee of the Company in the capacity of Executive Director of Information Technology, and from April 1999 until August 2000, as the Company's Vice President of Information Technology. From August 2000 until July 2003, Dr. Cooper was employed by the Company on a part-time basis as Vice President of Information Technology. Thereafter, he became a full-time employee in July 2003 as the Company's Vice President of Operations. In January 2006, he was appointed as the Company's Executive Vice President of Operations. Prior to joining USANA, from April 1994 to February 1998, Dr. Cooper was the Director of Market Research and then the Director of Corporate Network Operations for Human Affairs International, a subsidiary of Aetna. Dr. Cooper received a B.S. in Finance and a B.S. in Psychology from the University of Utah. He earned a Ph.D. in Business Administration from the University of Utah.

**Gilbert A. Fuller**, 66, Executive Vice President, Chief Financial Officer, and Secretary. Mr. Fuller joined USANA in May 1996 as the Vice President of Finance. Mr. Fuller served in this role from May 1996 to June 1999, when he was appointed as the Company's Senior Vice President. Mr. Fuller has been the Company's Chief Financial Officer since October 1997. In January 2006, he was appointed as the Company's Executive Vice President and Chief Financial Officer. Before joining USANA, from January 1994 to May 1996, Mr. Fuller was the Executive Vice President of Winder Dairy, Inc., a regional commercial dairy operation. From May 1991 through October 1993, Mr. Fuller was Chief Administrative Officer and Treasurer of Melaleuca, Inc., a manufacturer and network marketer of personal care products. From July 1984 through January 1991, Mr. Fuller was the Vice President and Treasurer of Norton Company, a multinational manufacturer of ceramics and abrasives. Mr. Fuller is a Certified Public Accountant and received a B.S. in Accounting and an M.B.A. from the University of Utah.

**Kevin Guest**, 44, Executive Vice President of Marketing. Mr. Guest joined USANA on a part-time basis in April 2003, as Executive Director of Media and Events. Following the acquisition of FMG Productions, a media, video, and event productions company that was founded by Mr. Guest, he became a full-time employee of the Company and was promoted to Vice President of Media and Events in February 2004. In January 2006, he was appointed as the Company's Executive Vice President of Marketing. Prior to joining USANA full-time, from 1992 to February 2004, Mr. Guest served as the Managing Partner of FMG Productions. Mr. Guest has been part of the media production arena for more than 20 years and has received numerous awards for producing, directing, and writing. He has produced all of USANA's audio, video, and event productions worldwide since the Company's inception. Mr. Guest earned a B.A. in Communications from Brigham Young University.

**Bradford Richardson**, 42, Executive Vice President of Asia Pacific. Mr. Richardson joined USANA in December 1997 as Director of International Development. Mr. Richardson served as the Company's Executive Director of International Development from November 1998 to December 1999. Until



January 2006, when he was appointed as the Company's Executive Vice President of Asia Pacific, he served as Vice President of International. Prior to joining USANA, Mr. Richardson held international business development positions with Dell, Inc. and Lexmark International, Inc., where he focused on business development in the Asia Pacific region. Mr. Richardson received a B.A. from American University in Washington, D.C., and an MBA from the Wharton School of the University of Pennsylvania.

**Mark H. Wilson**, 42, Executive Vice President of Customer Relations. Mr. Wilson joined USANA in October 1996 as Director of Customer Relations. Mr. Wilson served as the Company's Executive Director of Customer Relations from 1998 to April 2000. From April 2000 to January 2006, he served as the Company's Vice President of Customer Relations. In January 2006, he was appointed as the Company's Executive Vice President of Customer Relations. Prior to joining USANA, from October 1994 to October 1996, Mr. Wilson was an owner/partner of Great Basin Marketing, a consulting company, specializing in call center start-up and operational management. Prior to joining Great Basin Marketing, from July 1991 until October 1994, Mr. Wilson was Director of Inbound Order Express and Data Processing for Melaleuca, Inc. Mr. Wilson holds a B.S. in Communications from the University of Utah.

**Timothy E. Wood, Ph.D.**, 58, Executive Vice President of Research and Development. Dr. Wood joined USANA in June 1996 as Director of Research and Development. Dr. Wood served in this role from June 1996 to June 1999, when he was appointed as the Company's Vice President of Research and Development. In January 2006, he was appointed as the Company's Executive Vice President of Research and Development. Before joining USANA, Dr. Wood served as Vice President of Research and Development for AgriDyne Technologies, Inc., formerly known as NPI, from 1992 to 1995, where he managed a team of 25 scientists. From 1980 to 1992, Dr. Wood served as Research Manager and Senior Scientist for AgriDyne Technologies. Dr. Wood received a B.S. in Environmental Biology from the University of California, Santa Barbara. He earned an M.S. in Environmental Sciences and a Ph.D. in Biology from Yale University.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Role of Compensation Committee*

The executive compensation philosophy and practice of USANA has been developed through a collaborative effort of the Compensation Committee of the Board of Directors (the Compensation Committee or Committee), the Company's President, Chief Financial Officer, and Vice President of Human Resources. While the Company officers mentioned above offer ideas, opinions, and proposals in Compensation Committee meetings, the Committee functions and votes independently from these officers. The Compensation Committee is responsible for all changes to the executive compensation philosophy and program. The Compensation Committee consists of three members of USANA's Board of Directors, all of whom are independent under the listing standards of the Nasdaq stock market. These members are appointed to the Compensation Committee by the Company's Board of Directors. The Compensation Committee is governed by a written charter, which outlines the committee's authority and responsibilities. The full text of the Compensation Committee Charter is available under the Corporate Governance section on our website at [www.usanahealthsciences.com](http://www.usanahealthsciences.com).

#### *Role of Corporate Leadership in Assisting Compensation Committee*

The Compensation Committee has the primary authority to determine the Company's compensation philosophy and to establish compensation for the Company's executive officers. It is responsible for ensuring that executive compensation decisions are thoroughly researched and implemented. Each executive officer and other senior executives participate in an annual performance review with their immediate supervisor, he receives input about his contributions to the Company's success for the period



being assessed. The Compensation Committee seeks input from the Company's President, Chief Financial Officer, and Vice President of Human Resources to identify key factors and to obtain information that is related to executive compensation. These key factors and information generally involve the individual executive's level of responsibility, his or her years of experience, his current overall compensation level, the impact of current compensation practices on the Company's financial statements, and the relationship between executive compensation and performance of the Company.

The Company's Vice President of Human Resources takes direction from and makes suggestions to the Chairman of the Compensation Committee in establishing the quarterly Committee agenda and in preparing the materials to be presented to the Committee. These materials contain minutes from prior meetings, key items that need to be addressed, and back-up information to help the Committee in its decision-making process.

#### ***Compensation Consultants***

In June 2005, the Committee engaged Frederic W. Cook & Co., Inc. ( FWC ), an independent executive compensation consulting firm, to advise and make recommendations regarding USANA's executive compensation program. During 2006, the Committee utilized this study to make decisions regarding compensation changes, including compensation components and compensation levels. The Committee approved the selection of FWC and worked directly with the project leader of that firm on specific assignments and duties. The Committee used information from FWC, as well as from other sources, to determine the type and amounts of executive compensation that are necessary to maintain a strong, committed leadership team at the Company.

#### ***Compensation Objectives***

The Committee's compensation objectives are:

- To attract and retain, through a fair compensation plan, management personnel who have the intelligence, education, and experience that is required to effectively administer the affairs of the Company;
- To motivate our management personnel to grow the Company's revenues and profits for the benefit of our shareholders by tying components of their total compensation to revenues, profits, and shareholder value; and
- To ensure that compensation practices do not impair USANA's financial strength or future success.

The Compensation Committee intends to continue to meet these objectives by utilizing and maintaining a balance among three major components of the compensation plan: base salary, cash bonus, and equity compensation.

#### ***Compensation Philosophy***

Traditionally, USANA has maintained a conservative approach to executive compensation. As shown in the compensation tables following this report, USANA executives do not receive additional retirement benefits that differ from that of other employees, severance agreements, deferred compensation opportunities, or other perquisites that are commonly provided to executives of similarly sized companies.

Historically, base salaries paid to executives have been significantly below market for comparable positions and responsibilities. Rather, the Compensation Committee has focused on the use of equity and has relied on large, intermittent stock option grants, as a key retention and reward tool for executives for the long-term. Recently, however, with the required adoption of SFAS No. 123(R) in 2006, this philosophy changed. Using the guidance provided in the FWC study, the Compensation Committee determined that

base salaries will be raised and brought more in-line with the median market and that the amount of equity will be reduced. For the most part, rather than using large, intermittent stock option grants, the Compensation Committee intends to issue Stock-Settled Stock Appreciation Rights ( SSARs ) on an annual basis. The Compensation Committee believes this change will continue to align a portion of executive compensation with the Company s performance, while reducing the potential charge to the Company s earnings, as required by SFAS No. 123(R).

In addition to base salaries and SSAR equity grants, USANA utilizes a cash-based performance incentive that is tied to Company sales growth and profitability. Again, this additional cash compensation is tied to the Company s performance.

### ***Components of Compensation***

#### ***Base Salaries***

The executive compensation philosophy in the past has been to provide a low base salary and to provide the greater incentive through the value obtained from stock appreciation. Recently, however, that approach has changed. In October 2005, to assist the Compensation Committee in understanding the competitive nature of USANA s executive compensation, FWC completed a comprehensive compensation survey for the company (the FWC Survey ). The FWC Survey analyzed USANA s executive compensation, relative to businesses of similar size and market value. The survey showed that the base salaries of USANA s executive officers were on average 47.6% below the median market rate, and 33.2% below the 25